



THE NORDIC SCHOOL

Service Marketing and Management
for the Future



CERS

Edited by
Johanna Gummerus and
Catharina von Koskull

*With chapters by Christian Grönroos, Evert Gummesson
and many more*

THE NORDIC SCHOOL – SERVICE MARKETING AND MANAGEMENT FOR THE FUTURE

EDITED BY

**JOHANNA GUMMERUS &
CATHARINA VON KOSKULL**

Hanken School of Economics, Helsinki, Finland

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EDITORIAL

Johanna Gummerus and Catharina von Koskull

The Nordic School has existed for more than thirty years, and yet, it is only recently that its epistemological and methodological bases have been summarized in writing (Gummesson and Grönroos, 2012). This book is a further attempt to capture the ‘soul’ of the Nordic School. It deals with the Nordic School way of thinking, feeling and doing research, consisting of the contributions by scholars who feel that they belong to the Nordic School, have been inspired by the Nordic School, or are affiliated to one of the hubs where the Nordic School evolved from.

Why now? The research Center for Relationship Marketing and Service Management, CERS, which is part of the Marketing department at Hanken School of Economics in Helsinki, turned 20 years in 2014. As a tribute to this center that has played a significant role for the Nordic School’s development, we wanted to collect together both the ideas and the people belonging to the Nordic School. It simply is the right time and also *about* time that a book on the Nordic School book was published.

Who belongs to Nordic School?

The contributors to this book are but a small part of the researchers belonging to the Nordic School, and we wish to acknowledge this, although many of the prominent figures are represented here. The Nordic School is, if anything, open to new ideas and new people. In fact, if you, after reading this book, feel that you share our views on research and marketing, we invite you to join us.

Many of us have at some point, perhaps, heard of the Nordic School, but *what exactly does it mean?*

To find out the answer to this question, we turned to the front figures of the Nordic School; Professors *Christian Grönroos* at Hanken School of Economics, *Evert Gummesson* at Stockholm Business School, *Bo Edvardsson* at Karlstad University and *Tore Strandvik* at Hanken School of Economics. The insights gained from our interviews and discussions with them serve as a backdrop and introduce the reader to Nordic School thinking and are presented in the introductory part. The introductory part then continues with a chapter by Gummesson and Grönroos, “The Emergence of the New Service Marketing: Nordic School Perspectives” where the two founding fathers reflect on the history and meaning of the Nordic School. After this, three contributions introduce different research areas of the Nordic School: “The service revolution and its marketing implications: Service logic vs service-dominant logic” by Grönroos and Gummerus, “Essentials of customer dominant logic- Focus on customers” by Strandvik and Heinonen, and “Business Marketing – A Nordic School Perspective” by Kowalkowski.

To further our understanding of the Nordic School and its role in the broader research community of marketing, we asked service and relationship marketing scholars around the

globe to contribute with their views and perspectives on the Nordic School and to share thoughts about the future of the Nordic School. These reflections and personal accounts are presented in the second part; “Reflections on the Nordic School”. The 14 reflections of various lengths represent a potpourri of the impact that the Nordic School has had so far. Among other things, these reflections reveal that the Nordic School has been influential and reached far beyond the Nordic hemisphere in countries such as France, Germany, UK, and the Netherlands, as well as Australia, Mexico, New Zealand, and the U.S.

Eighteen chapters constitute the third part of the book. Each is quite different because of its own unique mix of ideas, focus and method. Still, they are all produced in the Nordic School spirit by service and relationship marketing researchers who are affiliated to CERS (Hanken School of Economics). The chapters are grouped into five categories.

The first six chapters focus on *understanding customers and/or customer value creation and experiences*. In the chapter titled “We might know what we are selling, but do we know what the customer is buying?” Strandvik and Holmlund suggest that the reasons for business customers’ buying offerings may differ profoundly from what the seller believes them to be. In line with this notion they introduced the concept ‘customer needing’ in 2008, to complement the term ‘business value proposition’. In this chapter they further elaborate on the concept and emphasize in particular the dynamic nature of needings.

Mickelsson and Lipkin also focus on the customer. In their chapter “Customer activity: A research agenda”, they concentrate on customer doings or the activities performed by customers. Zooming in on customer activities can generate new understandings of how customers organize their lives or businesses, as well as of the roles that different providers play in customers' activity systems. The paper is conceptual and several interesting avenues for further research on activities are presented.

“Value co-creation in customer’s logic” is the third chapter in this category. Here, Arantola-Hattab suggests that by studying the interactions that take place also outside the immediate customer-company interfaces, more can be understood of the co-creation concept related to value. She explores how these invisible interactions create value in the family context.

The following two chapters focus on customer experience in mobile app contexts. In the first one, “Exploring change in customer experience - the case of sports-tracking mobile service”, Lipkin and Heinonen provide insights on customer experience dynamics. Based on their study of eighteen customers’ consumption of sport-tracking mobile apps, they identify factors that create, or trigger, short-term and longer term changes in the customers’ experiences. Dube, Helkkula and Strandviks’ chapter, labelled “The ripple effect - intended and unintended app experiences”, discusses the potential difference between sellers’ intended customer experiences of apps and how customers may in fact experience those apps. Thus, this chapter is similar to the notion of customer needing presented above by Strandvik and Holmlund. However, here the discussion takes place in the consumer context and the focus is on the experiential outcome, i.e. how the customer app-in-use can be experienced in a different way than intended from the provider’s perspective, resulting in “unintended experiences”. The needing chapter, on the other hand, focuses on the antecedents, i.e. the

reasons for the customer to buy and value an offer and how these reasons are frequently different from the providers' understanding of them.

The final chapter in the category, "Understanding customers and/or customer value creation and experiences", is authored by Kleinaltenkamp. The chapter "Value creation and customer effort – The impact of customer value concepts" gives food for thought on the much debated question of how value is created and particularly, by *whom*. The chapter presents four interesting research propositions on the interdependency between customers' value creation and the customers' effort in such processes.

The following cluster of four chapters focus on *Management of service business*, and in particular how business models and in particular service models influence firm activities and performance. The chapter "Managerial sensemaking in business marketing" by Strandvik and Holmlund explores the often hidden mental belief systems that underlie decision making in business-to-business firms. According to them, mental models are rooted in the history of the company, are influenced by the aspirations in the company, and are challenged by the changes in the company and its environment. Consequently, they steer the employees, but can also be steered once they are acknowledged.

In "Adapting business model thinking to service logic: An empirical study on developing a service design tool", Ojasalo and Ojasalo introduce a business model canvas adapted to the service logic thinking, and share their insights into how this new tool was developed. The business model canvas merges the provider's and the customer's viewpoints, and can be integrated into a service design process in order to implement service logic. Ravald and Björk, in turn, study the theories in use in small worlds, in their chapter "Small firms- born service logicians?". According to them, service logic can be viewed through three pillars: Facilitating the customer's process of value creation; managing interactions with the customers; and achieving reciprocity. These pillars can be divided into principles that the small businesses use to ensure their competitive strength. All in all, the findings reveal that small firms often seek process alignment with their customers. Finally, Aspara explores the tradeoff between the efficiency in current offerings and innovating new services. He finds a positive relationship between current offering efficiency and new service innovativeness, but a negative one between current offering efficiency and the performance of the new services.

The section *Branding in service marketing*, includes two very different contributions. Rindell explores how the Nordic School influences the understanding and the studies of branding and images. According to her, the Nordic School of branding is characterized by its view on corporate brand as dynamic and controlled by external stakeholders. In addition, she highlights the importance of time, context and process orientation in understanding images. In "Brand packaging as a visual cue in service environment", Kauppinen-Räsänen and Uusitalo take a practical approach to branding, exploring how the visual cues used in food packaging influence consumer preferences. Their chapter also ties together individual packages to the servicescape and discusses how an individual package is evaluated in its environment. Their findings highlight the consumer preference for holistic packaging experiences, meaning that the different visual cues are assessed together.

From the world of branding, we move on to *Societal views on service*. “Service worker behavior and its spill-over effects” explores how service worker’s behaviors that occur repeatedly in service encounters have spill-over effects on customers. Söderlund suggests that after repeated interactions with service workers, customers start mimicking the service workers’ relational (such as greeting, touching), commercial (e.g. customizing), and justice-evoking (e.g. preferential treatment) behaviors in their own life, eventually leading to positive outcomes at the societal level (to the degree these behaviors are positive). In “Conceptualizing a service ecosystem perspective at the base of the pyramid”, Ben Letaifa and Reynoso argue that service research needs to pay more attention to the large low-income segments, the so called base of the pyramid market. In particular, they suggest that the ecosystem view could benefit service research and provision, helping to design more relevant and successful services in the low-income markets. Mildén, von Boguslawski and Rosenbröijer in turn explore the “Students’ connotative meaning of marketing concepts”. Their studies, conducted 30 years apart, show how students’ learning has moved away from a teacher-centric to more multifarious learning.

The last part deals with *Methodology and/or methods for studying service and relationships*. First out is “Service methodology: From case study research to case theory,” where Gummesson presents an interesting discussion proposing an upgrade of the traditional case study research to *case theory*. He delivers a long list of convincing arguments and amongst others, pinpoints the fact that reality is most often too complex to be studied through the survey technique. He suggests that *case theory* would be analogous to other methodologies that cover both the process of knowledge generation as well as the outcome, i.e. the new knowledge. Ground theory and practice theory are examples of such methodologies. Thereafter, in her chapter, Roos focuses on one specific research method: “SPAT – Switching Path Analysis Technique” and provides insights on how this can be used for studying relationship dynamics. She also details how this technique differs from the related versions of the CIT – Critical Incident Technique. The chapter “Of mutual benefit: Relationship marketing through the prism of metaphor” by Starr-Glass contributes with a nice ending of this book. It highlights the - perhaps somewhat ignored or forgotten- influence and power metaphors have on our thoughts and theory development. In so doing, the chapter suggests that the *relationship* metaphor had a central influential role in the paradigmatic shift from transactional marketing to interactive marketing. Today, the relationship metaphor is no longer provocative as it has become part of the marketing lexicon. In regards to this, the author suggests how the metaphor might be re-approached and revitalized in contemporary marketing contexts.

Do read and enjoy any, or all, of the parts and chapters. Perhaps you find inspiration and join us in the Nordic School spirit.

Johanna and Catharina,
Helsinki, May 2015

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CERS' CONTRIBUTIONS TO THE NORDIC SCHOOL OF SERVICE

Kristina Heinonen

INTRODUCTION

Service and relationships are being increasingly integrated in business and everyday life, creating diverse opportunities and challenges for all types of businesses. The Centre for Relationship Marketing and Service Management (CERS) at Hanken School of Economics (hereafter, Hanken), Helsinki, Finland is an international pioneer of the academic research in the field of relationship and service management. Established in 1994 and home to approximately 60 doctoral and postdoctoral researchers, CERS is a leading service research center disseminating frontline academic knowledge through interactions with the international academic network and the surrounding business community. The purpose of this paper is to describe the emergence of CERS, its influence on the scientific community and especially the Nordic School of Service, and the vision for the future of CERS¹.

CENTRE FOR RELATIONSHIP MARKETING AND SERVICE MANAGEMENT (CERS)

CERS was created by researchers in the Department of Marketing at Hanken in 1994. The center was primarily established as a vehicle for concentrating on and developing the research within the department, and its goal was to achieve and maintain an influential position internationally. Another objective was to create a collaborative forum between the academic community and industry representatives. The main outcome has been articles published in high-ranked international academic journals. The spin-off effects include novel insights into teaching, the development of postgraduate studies and management education, increased opportunities for external funding (Academy of Finland, foundations, Tekes) and corporate funding, and a positive image for Hanken. With Professor Christian Grönroos as its prominent figure, CERS has been influential in developing an internationally accepted school of marketing thought, referred to as the “Nordic School” of Service (Gummesson & Grönroos 2012).

The following mission was set as the basis for CERS’ strategy. It has achieved its objectives, and this mission remains central to CERS’ current activities.

To provide intellectual leadership in relationship marketing and service management, with the goal of improving business thought and practice.

Several researchers were involved in establishing CERS, including professor Christian Grönroos as the initiator, and Kaj Storbacka, Tore Strandvik, Veronica Liljander, Carl-Johan

¹ Kristina Heinonen wishes to thank Professor Maria Holmlund-Rytkönen, Professor Tore Strandvik, and Professor Christian Grönroos for their valuable involvement in this paper, as well as other colleagues who contributed to the development of the paper.

Rosenbröijer, Jan-Åke Törnroos, and Maria Holmlund, who played important roles in negotiating the premises of CERS' existence. CERS' first director and chair of the board was Tore Strandvik (1994–2001). Initially, CERS was created as a separate research institute at Hanken. Since 2010, the center has been organized as an institute under the Department of Marketing, but it is still run as a separate unit with a separate budget. The director and the board make decisions regarding CERS' strategy and activities. Professor Christian Grönroos was chair of the board from 2001 until he stepped down in 2010, and Kristina Heinonen took over as both chair of the board and CERS director. During Heinonen's leave of absence in 2011–2013, Anu Helkkula served as deputy director. Over the years, CERS has had other directors including Carl-Johan Rosenbröijer and Robert Wendelin. Currently, the board of directors includes, in addition to the director and founding director, professors from the department, a postdoctoral researcher, a doctoral student, and a representative from Hanken's administrative office.

Besides the researchers who are active on the board of directors, various others have been involved in coordinating CERS' activities, such as those responsible for the award program, Next Practice workshops, partnership program, and general affairs. CERS functions mainly on a voluntary basis within normal employment.

CERS was also influential in establishing the national graduate school in service and relationship management in 1994. The Finnish Center for Service and Relationship Management (FCSRSM) was established as a multidisciplinary graduate school covering, for example, marketing, organization studies, management, information technology, and financial and/or accounting disciplines. The special research focus of FCSRSM is service and relationship management—broadly defined to include relationships, interaction, and networks in various business-to-consumer (B2C), business-to-business (B2B), and organizational settings.

AN ACTIVE HUB OF SERVICE RESEARCHERS

CERS has grown both in size and scope. Today, its researchers include the faculty of the Department of Marketing, docents, externally financed postdoctoral researchers, doctoral students funded by Hanken, and doctoral students with other funding. Currently, 19 senior researchers, 20 doctoral students, 6 docents, and 8 associated researchers are working either full- or part-time at the center, on 2 campuses (Helsinki and Vasa). Since its inauguration, 57 doctoral dissertations have emerged from CERS.

Today, CERS functions as a well-known brand within the international research community and the national business community. CERS is a community of researchers with similar interests. In fact, it is one of the few research centers worldwide that focuses on the service field. The center provides its researchers with membership in a prominent international research community, an association with one of the strongest brands in international service research, and a gateway to international contacts and networks.

Since its inauguration, CERS has been economically independent through its partnership program and externally financed research projects. CERS serves three purposes: (1) Funding and offering facilities for research, (2) creating a supportive climate for research, and (3) initiating contacts between researchers and the business world.

PIONEERING SERVICE RESEARCH

Known for its research in the areas of service and relationship management, CERS produces research on topics such as customer relationships, service, value, and customer experiences. The researchers at CERS have always sought original and thought-provoking ways to look at the world and challenge the current knowledge in the service discipline. In the 1990s, when relationship marketing started to emerge as a service-based and business network-based perspective, CERS was a leader in the field with its first doctoral thesis in 1994.

At the outset, the center endeavored to explore the influence of customer relationships and business networks on the competitiveness of firms, from both B2B and B2C perspectives. This included studying the marketing and management of services in both service firms and the industrial sector, the relationships between firms and their customers and other partners in the consumer and industrial markets, and the business networks needed to facilitate such relationships. While CERS maintains this focus today, it has developed to include, for example, technology infusion in service and marketing communication. Figure 1 below provides an overview of the main research areas, depicted in a swirl wind meant to represent that the research is grounded in understanding the influence of relationships on firm performance.

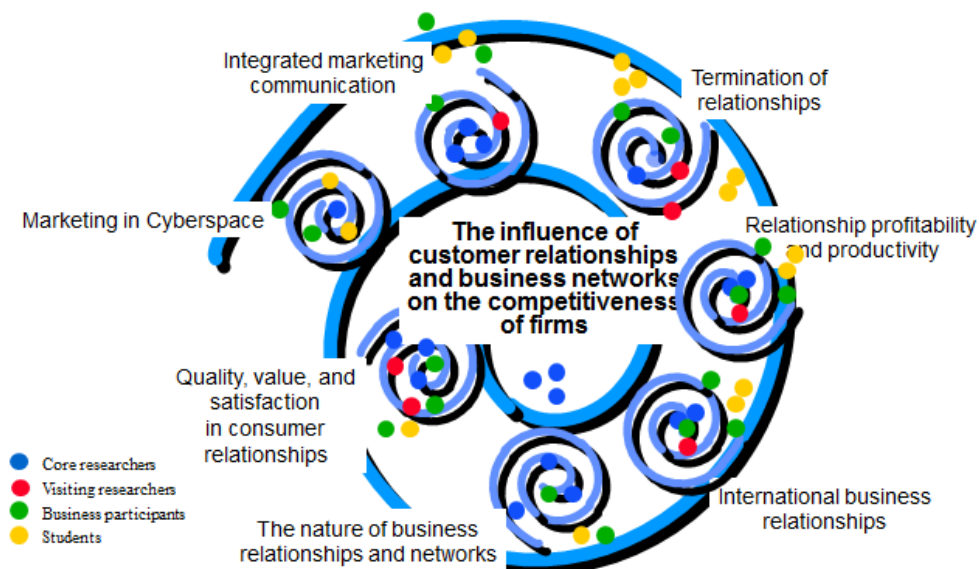


Figure 1. CERS' research program and research groups presented in 1999

The impetus for the development of relationship marketing came from the maturing of service marketing, especially from the service quality research and also from the industrial marketing research and technological advancements. The research into service management and industrial marketing has strong roots in the Department of Marketing at Hanken. The research tradition within service management is known worldwide as the “Nordic School of Service Marketing and Management.” The first researchers at CERS representing this view were Christian Grönroos, Lars-Johan Lindqvist, Veronica Liljander, Annika Raval, Inger Roos, Kaj Storbacka, and Tore Strandvik. Furthermore, many of the researchers at CERS were well-known contributors to the interaction and network approach of industrial marketing—the Industrial Marketing and Purchasing group (IMP) at CERS. The researchers representing this view at CERS were Sören Kock, Maria Holmlund, Carl-Johan Rosenbröijer, Tore Strandvik, and Jan-Åke Törnroos. The research community at Hanken represented a unique blend of these two distinct, promising research approaches. In the spirit of the Nordic School, the research was focused on novel themes, exemplified by the pioneering research in the field of e-service and digital marketing. Influential in introducing technological issues in the research and teaching were Johanna Gummerus, Kristina Heinonen, and Päivi Voima.

The research was organized under five general themes:

- 1) Research in service quality, value, and satisfaction in both the B2C and B2B sectors
- 2) Research in customer relationship management and relationship profitability
- 3) Research in relationships and relationship dynamics
- 4) Research in relationship communication
- 5) Research in the influence of technology on service and relationships

The research at CERS is often driven by conceptual development based on abductive logic. As such, the conceptualizations are developed through an iterative process between induction and deduction (Dubois & Gadde 2002). The research methods include both theoretical and conceptual analyses as well as the employment of qualitative and quantitative data.

INFLUENCE OF THE NORDIC SCHOOL OF SERVICE

CERS continues to function within its core areas of relationship marketing and service management. Figure 2 summarizes the main focus areas based on the titles of all doctoral theses completed at CERS. Three themes emerge as important elements: customer, value, and service.

The fundamental starting point of the research at CERS is not limited to existing conceptualizations and norms. Rather, the researchers at CERS believe that through exploratory research, new marketing frameworks for services may be developed. The research tradition at CERS encourages and supports a questioning and problematizing approach, as suggested by Alvesson and Sandberg (2011). For example, as a contribution to the discussion about marketing logic and the emergence of a service-dominant marketing logic (e.g., Vargo & Lusch 2004, Lusch & Vargo 2014), the Nordic School has offered alternative perspectives, especially through the service logic and customer-dominant logic perspectives on service (Heinonen et al. 2010, 2013, Grönroos & Gummerus 2014).

In essence, CERS encourages original and innovative research that challenges existing research. The goal is to publish research that is not simply new but also provides alternative perspectives and alters researchers' thinking and doing. This means not being afraid of stepping out from the mainstream, represented by the "one step ahead" symbol used in the Grönroos Service Research Award (Figure 3).



Figure 3. CERS one step ahead.

BRIDGE TO BUSINESS PRACTICE

CERS' core activities consist of conducting frontline academic research in the fields of relationship marketing and service management. Its past activities include the CERS partnership program, CERS Award of Excellence, and future practice seminars, and its current activities include externally funded research projects with companies, ad hoc conference organization, and research activities. Other important activities for CERS researchers include diverse social gatherings of CERS researchers and guests. In addition, CERS organizes peer support between doctoral and postdoctoral researchers, doctoral manuscript seminars, guest seminars and workshops, and informal research workshops/meetings.

CERS partnership program

In March 1997, CERS initiated the CERS Client Partner project. The aim of this project was to strengthen the competitive power of the client partner companies by utilizing CERS knowledge. At the pilot stage that ended in December 1998, 22 companies joined the program, and the idea was tested in cooperation with these companies. This program later developed into an ongoing activity that became one of CERS' main activities. The partnership program was discontinued in 2010 due to internal restructuring at Hanken, when a new partnership program was launched.

The benefits of the program were evident. Through a dialogue with the business partners, CERS served as a bridge between the academic and business communities, providing a gateway to frontline academic research for companies seeking intellectual leadership in their field. Through collaboration with CERS, the partner companies joined the knowledge pool and thus gained access to the latest research on, and tools for, relationship marketing. CERS, in turn, benefited by gaining knowledge of the current business issues affecting companies. The membership in the program was based on an annual fee, or by funding specific research projects, or providing access to data. The interaction with the business partners were arranged through seminars, workshops, or round table discussions, where current, new research insights were discussed.

CERS Award for Excellence in Relationship Marketing and Management

The CERS Award for Excellence in Relationship Marketing and Management was created in order to raise awareness about relationship marketing and management issues in Finland. Relationship management had become an integral part of companies' marketing strategies, and improving the knowledge within this area became a necessity. The CERS Award focused on identifying the best practices in relationship marketing and management. Companies operating in consumer markets, the B2B sector, or other sectors in Finland participated in the CERS Award. The Award was initiated in 1999 and was presented 8 times. The recipients were Fazer Bakeries (1999), Trading House Hansel (2000), Sodexho and UPM Kymmene

(2001), Ålandsbanken (2003), Kapiteeli Oyj (2004), Diacor (2006), and Nordea Corporate Merchant Banking (2007). Additionally, each year, best-in-progress recognition was accorded to companies that had shown good progress. The best-in-progress recognition was the only award presented in 2002 and 2005, given to IIR Finland and Nordea Private Banking (2002) and OP Bank Group (2005).

Participation in the CERS Award enabled companies to critically review the processes for successfully implementing relationship management. The CERS Award was a structured self-assessment process with the aid of an analysis tool and supported by one CERS researcher assigned as a tutor. A Wheel of Relationship Marketing and Management was developed as a tool for analyzing companies' current relationship practices. The framework was designed to help companies identify and analyze the factors that influence their relationship marketing and management performance. The application procedure formed an internal learning process geared towards motivating the further development of relationships with stakeholders. Companies could also take advantage of the latest knowledge within the field of customer relationship management through the collaboration with its assigned CERS tutor and during the workshops. The CERS Award process focused on questions such as the following: What are the goals of relationship marketing and management? In practice, how does the company acquire, nurture, and conclude relationships? How do the company's processes support its customers' processes?

The criteria used to evaluate the companies represented four main levels: the strategic level, the operational level, innovation and development, and results. All participating companies were evaluated by an international board of examiners comprising experts from academia and business. The jury's motivations and suggestions for further improvement enabled the companies to further develop their relationship strategies.

Future practice seminars

The future practice seminars represented another form of collaboration with the business community in the form of networking workshops. This forum was jointly created by business partners and CERS members through their exchange of insights into practice and theory. The future practice philosophy was formulated in reaction to best practice, because the latter focuses on identifying the business practice that performs the best here and now (i.e., current practice). Further, since best practice is always context-specific, it is very difficult to implement in one's own business. The philosophy of the future practice forum was to focus forward, beyond today's practice, in order to (1) identify and develop ideas on how to anticipate and tackle emerging challenges, as perceived by businesses, and (2) develop new perspectives on existing challenges, as experienced by businesses.

The goals of the forum were as follows:

- To discuss topics that generate ideas on how to act and cope with existing as well as emerging business challenges

- To critically review taken-for-granted truths both in practice, expressed as “this is the way we do things around here,” and in theory, expressed by concepts, models, etc.
- To generate research projects based on mutual interest between partners and doctoral and postdoctoral researchers
- To generate doctoral and postdoctoral research ideas

Externally funded research projects

Through its externally funded research projects, CERS is currently collaborating with different companies. This collaboration has gained increasing importance since the partnership program was discontinued. Both B2B and B2C firms have been involved in the research projects. Below are some examples of these projects:

- Human Being and Value in the Sixth Wave (HUVA) 2015–2016, with the University of Turku
- Always a Happy Ending? Who, When and How Should Users Be Engaged in Service Innovation 2012–2015, with VTT Technical Research Centre of Finland
- Future Industrial Service (FutIS) 2011–2015, with a focus on transforming manufacturing companies into service-focused businesses
- Service Innovation through Strategic Stakeholder Integration (SiSSi) 2011–2014, with Laurea University of Applied Sciences
- The Role of Customer Information in Service Innovation (CInSIn) 2008–2013, focusing on understanding and using customer information in service innovation
- Embedding Service in Customer Contexts, Activities, Practices, and Experiences (ESCAPE) 2008–2011, focusing on the value-in-use of service in customers’ everyday practices and activities
- Service Innovation from the Provider Perspective and as a Customer Experience (INNOPEX) 2010–2011
- Service Experience Design-Inspired Measurement (SEDiMENT) 2009–2011
- Asiakasarvopohjainen liiketoiminta (AAPPO) 2008–2010, focusing on customers’ influence on business practices, service innovation as co-created between the service provider and customer, the transformation of goods-dominant businesses to service solutions, and the logic of service value creation, with University of Tampere, School of Management
- Learning in Service Systems 2009–2011
- Branding, Innovation and Globalization: Generating Growth and Competitiveness through Improved Value (BIG) 2007–2011
- StratMark 2006–2011, in three phases, through an in-depth understanding of marketing and value creation, focusing on improving the international competitive advantage of Finnish business, with Helsinki School of Economics and partners including Tekes, Amer Sports, Componenta, Finnvera, Konecranes, Sinebrychoff, and Suunto ja MARK

- Business Models in Services (BeSeL) 2006–2009, focusing on service innovation networks and business concepts and developing new management models, with VTT Technical Research Centre of Finland
- Future of retail banking 1999–2007

RELEVANCE TO THE ACADEMIC COMMUNITY

In addition to the activities concerning business practice, CERS's goal is to maintain a strong position within the academic community through networks, associations, and research exchange. This is mainly achieved through institutional and individual collaboration, but other activities have also been used to maintain and deepen ties with the academic community; for example, CERS researchers were influential in forming the Finnish Service Alliance (FSA).

Recognitions

CERS has given recognition to researchers who have been active within the field or involved in CERS activities. An internal recognition is the Certificate of Appreciation given to doctoral and postdoctoral researchers who have, through their involvement with CERS, shown a true commitment to the CERS mission. Additionally, CERS has recognized external individuals, primarily through the Grönroos Service Research Award and the International Fellowship.

Grönroos Service Research Award. The Grönroos Service Research Award was established in 2010 by the Centre for Relationship Marketing and Service Management. The goal of this award is to acknowledge international scholars in the field of service marketing, who step outside the mainstream, and to recognize excellent achievements in the service discipline that challenge the common understanding and demonstrate significant originality. The Grönroos Service Research Award was named after marketing professor Christian Grönroos in honor of his pioneering contributions to, and advancements in, service research. The award is a tangible symbol of the Nordic School.

The two main criteria for receiving the award are demonstrating (1) pioneering and innovative research in the spirit of the Nordic school of thought, and/or (2) non-traditional contributions to service management theory. Other criteria for the award are participation in teaching and mentoring, general creativity and innovativeness, and service to the marketing community and the public at large. The award has been presented to the following researchers:

- 2011: Evert Gummesson, Professor Emeritus of Service Management and Marketing, Stockholm University, Sweden
- 2012: Raymond P. Fisk, Professor and Chair of the Department of Marketing, Texas State University-San Marcos, USA

- 2013: Javier Reynoso, Professor and Director of the Service Management Specialty Program, EGADE Business School, Monterrey, Mexico
- 2014: Bo Edvardsson, Professor and Founder of CTF-Service Research Center, Karlstad University, Sweden

CERS International Fellow. The CERS International Fellow is a recognition for a small exclusive global group of frontline researchers in the service and relationship management area. It is presented to international researchers to acknowledge their engagement and association with CERS. The recognition is based on a long-term, diverse, and mutual exchange of ideas on a person-to-person basis as well as on a broader level with researchers at CERS. It has been presented to the following researchers:

- Professor Emeritus Evert Gummesson
- Professor Bo Edvardsson, CTF, Karlstad University, Sweden
- Professor Fan Xiucheng, School of Management, Fudan University, Shanghai, The People's Republic of China
- Professor Rod Brodie, Business School, University of Auckland, New Zealand
- Associate Professor and Hanken PhD alumnus David Ballantyne, University of Otago, New Zealand
- Professor and Pro Vice Chancellor Lynette Ryals, Cranfield School of Management, the UK
- Professor of Business Administration Per Skålen, CTF, Karlstad University, Sweden
- Professor Stephen Vargo, Shidler College of Business, University of Hawai'i at Manoa

Conferences

CERS has periodically hosted international conferences that fit into the core areas of service and relationship marketing. The following conferences have been arranged:

- 15th Annual EMAC Conference, 1986: Christian Grönroos as chair together with Kristian Möller and Mai Anttila from Helsinki School of Economics
- 4th ICRM Relationship Colloquium, 1996: Chair Christian Grönroos
- 7th AMA Servsig International Service Research Conference, 2012: Chair Kristina Heinonen
- 4th International Corporate Heritage Symposium, 2014: Chair Anne Rindell
- 23rd ICRM Relationship Colloquium, 2015: Chair Christian Grönroos and Johanna Gummerus
- CERS has also been influential in establishing the NoRD workshop in relationship dynamics, a forum that has been arranged eight times and was hosted by Hanken in 2008 (Chairs Maria Holmlund and Tore Strandvik)

As stated, the research at CERS has been broadly focused on service and relationships. To illustrate the emphasis of the research at CERS, I conducted a review of the publication outcomes of all CERS researchers since 1994. This review was done between December 2014 and March 2015 through a search on Publish and Perish to identify the most cited articles. The most cited articles were calculated relative to the yearly citation for each publication; that is, the citations per year were retrieved for the CERS researchers' articles. For simplicity, with the exception of Christian Grönroos, only individuals who had graduated from the CERS doctoral program were included in the search. Consequently, some faculty members and docents were not included, despite their important contributions to CERS' publications. Although many articles had a high impact, only the 35 most cited articles were included in the word cloud below (Figure 4). The two most cited articles had approximately 150 citations per year, and the last three articles included in the word cloud had approximately 20 citations per year. Only articles in journals or edited books were included.



The figure shows that CERS research has an impact in the research community through the themes explored since its inception. Themes such as marketing, value, relationship, and service appear frequently in the titles of articles that have been cited by other researchers. This is consistent with the research published in CERS' doctoral theses (see Figure 2).

Dividing the data into two blocks—18 high impact articles between 1994 and 2004 and 17 high impact articles between 2005 and 2014—reveals the development of the highly cited articles during CERS' history. Figure 5 shows the 18 most impactful articles from the first 10 years. “Marketing” is the main key word in the articles, and “relationship” is emphasized, in addition to “service(s),” which appear twice due to the use of the word in both the singular and plural. “Loyalty” and “quality” materialize as other key concepts.



Figure 5. Word cloud of the 18 most cited articles, 1994–2004

Articles with impact published in the second part of CERS history (2005–2014) have a somewhat different emphasis. Here, the use of the singular form of “service” emerges as the most influential concept. Of the total of 17 articles, 10 use “service” in their title. Value manifests as another main research area for CERS from 2005 onwards. In addition, the discussion about how value is created is seen in the emphasis on the concepts of co-creation and creation (Payne, Storbacka, Frow & Knox 2009; Gummerus 2013; Grönroos 2011; Grönroos & Voima 2013). Furthermore, the term “logic” appears as an important element in the research, exemplifying the emphasis on the different types of marketing logic stressed by CERS researchers (e.g., Grönroos 2006; Grönroos & Ravald 2011; Grönroos & Voima 2013; Heinonen et al. 2010). The emphasis on the customer also intensifies during this period.

RESEARCH WITH IMPACT IN THE FIELD OF SERVICE RESEARCH

Table 1. Impact of CERS researchers (based on Publish and Perish search in May 2015)

Name	G-index	Highest impact article	No. of publications	Citations in total
Christian Grönroos	196	A service quality model and its marketing implications	241	38490
Kaj Storbacka	71	Managing the co-creation of value	104	5152
David Ballantyne	69	Relationship Marketing	72	4821
Tore Strandvik	68	Managing customer relationships for profit: the dynamics of relationship quality	101	4685

Veronica Liljander	56	Comfort your online customer: quality, trust, and loyalty on the internet	56	4422
Inger Roos	53	The effects of customer satisfaction, relationship commitment dimensions, and triggers on customer retention	66	2869
Maria Holmlund	44	Relationships and the internationalisation	62	1995
Katri Ojasalo	37	Kehittämistyön menetelmät	36	1908
Kristina Heinonen	35	A customer dominant logic of service	50	1274
Jukka Ojasalo	31	B-to-B palvelujen markkinointi	53	1132
Minna Pura (Pihlström)	29	Linking perceived value and loyalty in location-based mobile services	30	1242
Johanna Gummerus	27	Value creation processes and value outcomes in marketing theory: strangers or siblings	28	771
Suvi Nenonen	23	Business model design: conceptualizing networked value co-creation	122	667
Pia Polsa	20	Modelling consumer responses to an apparel store brand: store image as risk reducer	41	457
Anu Helkkula	18	Characterizing value as an experience: implications for service researchers and managers	26	332
Kirsti Lindberg-Repo	17	Asiakkaan ja brändin vuorovaikutus: miten johtaa brändin arvoprosesseja	17	403
Annika Ravald	17	The value concept and relationship marketing	17	2287
Maria Sääksjärvi	15	Management practices in solution sales: a multilevel and cross-functional framework	28	256
Seppo Leminen	14	Actor roles and patterns influencing innovation in living labs	52	274
Oskar Korkman	13	Customer value formation in practice	13	298
Andreas Persson	12	Does relationship marketing improve customer relationship satisfaction and loyalty?	12	233
Maj-Britt Hedvall	12	The cost of prescription medicines to patients	15	164
Carl-Johan Rosenbröijer	12	Relevance of focal nets in understanding the dynamics of business relationships	14	168
Hannele Kauppinen	12	Exploring consumers' product-specific colour meanings	29	160
Päivi Voima	11	Critical service logic: making sense of value creation and co-creation	11	331
Heli Arantola	11	Uskollinen asiakas: Kuluttaja-asiakkuuksien johtaminen	11	615
Caroline Stenbacka	10	Qualitative research requires quality concepts of its own	10	485

Richard Owusu	10	The buying network in international project business : A comparative study of development projects	25	105
Åke Finne	10	Rethinking marketing communication: From integrated marketing communication to relationship communication	13	109
Anne Rindell	10	Corporate brand evolution: corporate brand images evolving in consumers' everyday life	24	113
Jacob Mickelsson	9	A customer dominant logic of service	9	221
Helena Åkerlund	9	Fading customer relationships in professional services	9	97
Anne Holma	9	Assessing environmental impacts of biomass production chains–application of life cycle assessment (LCA) and multi-criteria decision analysis	35	97
Kai Huotari	8	Defining gamification: a service marketing perspective	8	252
Teemu Kokko	8	Tackling bullying: Victimized by peers as a pupil, an effective intervener as a teacher?	12	64
Jonas Holmqvist	7	Consumer language preferences in service encounters: a cross-cultural perspective	36	60
Karolina Wägar	6	The role of the contact person's age in service encounters	14	47
Richard Kedzior	6	I, Avatar: Auto-netnographic research in virtual worlds	11	47
Catharina von Koskull	6	Exploring value propositions and service innovation: a service-dominant logic study	13	38
Robert Wendelin	5	The nature and change of bonds in industrial business relationships	19	39
Katarina Hellén	5	Reinvestigating the nature of tangibility/intangibility and its influence on consumer experiences	14	40
Heli Holttinen	5	Social practices as units of value creation: theoretical underpinnings and implications	6	35
Ritva Höykinpuro	5	Complex service recovery processes: how to avoid triple deviation	5	25
Nataša Golik Klanac	4	Customer value of website communication in business-to-business relationships	9	20
Camilla Steinby	4	Networks in a protected business context: Licenses as restraints and facilitators	5	17
Ritva Kinnunen	3	Palvelujen suunnittelu	3	261
Mirel Leino	3	Corporate governance ja riskien hallinta	3	16
Maria Suokannas	3	Den anonyma seniorkonsumenten identifieras	4	15

Paul Viio	3	Strategic sales adaptation: Relationship orientation of the sales process in the business-to-business context	4	12
Henrich Nyman	3	Influence of share ownership on repeat patronage	6	12
Kim Skåtar	2	Faktorer som initierar och påverkar i långsiktiga relationer	2	4
Leif Rytting	2	Visst gör kunden en del av jobbet: Referensramar för kundens medverkan vid tillkomsten	7	7
Mikael Berndtson	2	Informell marknadskommunikation	7	7
Johanna Arantola Hattab	2	Family as customer experiencing co-created service value	2	9
Carlos A. Diaz Ruiz	2	Theories of markets: Insights from marketing and the sociology of marketing	4	4
Pia Hellman	1	Markkinointiviestintä	4	2
Helena Liewendahl	1	Läromedel i social kompetens	3	1
Christina Nordman	0	-		
Hanna Kiehelä	0		3	0

VISIONS FOR THE FUTURE

CERS' research has a long tradition within the service and relationship marketing field, and over the years, complementary research topics have emerged in addition to the core areas shown in Figures 4–6, such as market communication and branding, sustainability and ethical aspects of marketing, and strategic marketing. The original swirl wind picture has been substituted with Figure 7, with the goal of simplifying and organizing the research around its core areas. A diamond is chosen as a metaphor for long-standing research that will endure. The five aspects of service, customer, value, relationships, and marketing as a perspective represent the key words representing many of the current studies being undertaken at CERS. Service, representing the main emphasis of the research, is in the center of the diamond. The customer is the foundation for many studies, since much of the current research is based on the customer perspective, or the starting point is how customers embed different marketing and business aspects into their own context. Value and different aspects of relationships represent core research themes. At the bottom of the diamond is the foundation representing the view of marketing as a perspective (in contrast to marketing as a mere function of a company).

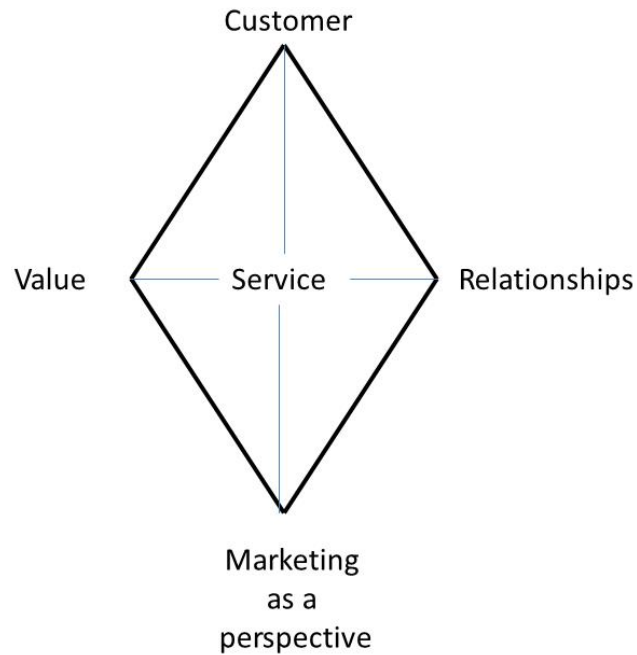


Figure 7. CERS research areas

All CERS' research topics challenge the current mainstream thinking. The research at CERS on marketing and business logic, such as papers discussing service logic and customer dominant logic, combines all key aspects of Figure 7. The foundation of this research lies in the early tradition of service research, where it was essential to challenge the established assumptions within marketing. Other research projects primarily combine two aspects, such as research on relationship marketing in B2B settings, brand relationship and brand image research, and marketing communication studies. Another set of topics is more directly related to service management in terms of service strategies, service innovations, service business models, and the development of value propositions. Consumer issues are tackled in the research on luxury consumption, tourism, and consumer practices. The strategic aspects of marketing are covered by research on market innovation, the manager's mental models, market dynamics, as well as the research on ethical and sustainability issues.

In conclusion, CERS is an innovative and dynamic research center, and unique in the sense that it integrates many researchers under the service umbrella. CERS' research and researchers have played an important role in developing and upholding the research traditions associated with the Nordic School. Undoubtedly, the center will continue to be one of the pillars of the Nordic School of Service.

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Appendix 1: Docents, honorary doctors, senior fellows, and associated researchers

Docents:

- Professor Malin Brännback
- Docent Mikael Paltschik
- Professor Evert Gummesson
- Professor Steve Brown
- Adjunct professor Elina Jaakkola
- Professor Lawrence Crosby

Honorary doctors:

- Professor Evert Gummesson
- Professor Steve Brown
- Professor Bo Edvardsson

Senior fellows:

- Professor Per Skålen
- Professor Bård Tronvoll
- Professor Magnus Söderlund

Associated researchers:

- Janet Ward
- Tony Aperia

INTRODUCTION TO THE NORDIC SCHOOL

THE ESSENCE OF THE NORDIC SCHOOL

Christian Grönroos, Catharina von Koskull and Johanna Gummerus

In this chapter, we introduce the reader to the key dimensions of the Nordic School. In addition to our own reflections, we have interviewed three front figures of the Nordic School, Professor Evert Gummesson from Stockholm Business School, Professor Bo Edvardsson from Karlstad University/CTF Service Research Center and Professor Tore Strandvik from Hanken School of Economics/ CERS Centre for Relationship Marketing and Service Management.

Although originally, the Nordic School was established as a conscious brand to make a difference within the international marketing research community, it has evolved into an anchor for like-minded people. The Nordic School entails a way to do research in the service and relationship field, although it extends to other related areas, such as value formation, customer experience and activities, internal marketing, markets or ecosystems and branding. In fact, the most typical characteristic of the Nordic School is that it does not exclude an area of research automatically – rather, the ideology of the Nordic School is to look at phenomena holistically, and/or from different viewpoints.

The common goal of the Nordic School is, according to Gummesson: “the development of the field [service thinking] --- moving the field forward...”. Another commonality is the openness to different types of ideas, theories, and methods. As Evert Gummesson describes it: “we shall not force [researchers] in a certain direction”. Similarly, according to Christian Grönroos, the Nordic School is *not one* way to do research, nor is it a framework. There is no ideological requirement to think or do according to an accepted format. The guideline is to *step aside and confront* what you do not agree with, and *never be restricted by existing theories, frameworks, models or concepts, nor by dominant scientific approaches and methods*. Consequently, the guiding principles for Nordic School research are: ‘Think for yourself, step aside from the mainstream, do what you think is best in any given situation, be original, but be valid is the guiding principle’. These principles are reflected in Christian Grönroos’ reflections on his own career path: “...quoting Frank Sinatra, I have formulated as a motto for my scientific work: *I did it my way*”.

In a sense, the Nordic School can be described through its attitude towards research. Professor Tore Strandvik suggests that it is about questioning old, established ‘truths’, but also new ‘truths’ that become favored. Methodologically speaking, the Nordic School urges the researcher to reflect and at the same time be pragmatic: Strandvik suggests that the best way to choose a method is to reflect: “what would be a sound way to go about this problem in this context?” In conclusion, then, Nordic School research is not constrained by certain methods or rules, although it often employs qualitative methods that allow researchers to investigate phenomena in depth.

Because of its *boundary-spanning* and *boundary-breaking* traditions, the Nordic School approach differs from mainstream approaches. It urges researchers to dig where no one else

has dug before, where no one has even seen the possibility of discovery. This way, researchers may find something truly new and interesting. In the early days of service marketing research, the researchers found the marketing mix unsuitable as a starting point for developing knowledge in service firms. Instead of developing service marketing as an adaptation or extension of existing marketing mix representations, the focus was shifted outside this mainstream model. Consequently, a totally different process-based view of marketing that emphasizes customer-firm interactions, later termed *the service encounter*, was found to serve marketing in service firms better. Soon it was realized among Nordic School researchers that marketing as a separate function did not enable marketing to make the firm relevant to its customers. Instead the view of marketing as market-oriented/customer-focused management of all relevant business functions evolved. This new understanding of marketing was labelled service management.

The notion that it is more productive from a scientific point of view to step aside is often stressed within the Nordic School. It is argued that when you do that, there is a fair chance that you will see things, and opportunities that no one else have seen before (Professor Christian Grönroos). Then, you can make a mark in the scientific development of your field.

In a similar vein, Professor Strandvik states that he does not believe in the “principle-of -cumulative-research”, meaning that to make a tiny, tiny contribution to mainstream research is not worth striving for. Rather, researchers ought to dig in various places rather than at the same place or even in the same hole. The “cumulative research principle” is built on a belief that the world is status quo and unchangeable, but that is really not the case when it comes to social sciences, Strandvik argues. On the contrary, there are constantly new situations evolving, we are dealing with customers and markets so there are changes happening all the time, in several dimensions, simultaneously. Gummesson takes an even more condemning approach to current career pressures that researchers phase: “The problem with these impact factors is that they want to standardize researchers into tin soldiers, how can you innovate if you standardize? Innovation is something new and creative, and there you must have your own freedom... so to me, it’s belonging informally to a community, a branded community, but still have a lot of freedom inside it and not be forced into anything”.

The Nordic School research approach is also holistic. This is visible in the aim of theoretical and practical relevance, use of case studies and goal to understand various contexts, for example, relationships, interactions, practices, systems, and the use of this understanding as a basis for developing conceptual models and theories. Professor Edvardsson argues that there are also quantitatively oriented research with for example hypotheses testing studies, but that “the key essence of Nordic School research is more exploratory with an inductive focus on relevance for business and to use this as a starting point for developing concepts, frameworks and theories.”

Grönroos suggests that the Nordic School characteristic of theory development, rather than theory testing, is a result of the “stepping aside” attitude. Not being restricted by dominating theoretical models and empirical methods changes the way a phenomenon is approached. For example, existing marketing models and concepts are not the starting point for research. The

question that most researchers ask, “*how do services fit the existing body of knowledge, such as marketing mix, the 4 P model, the marketing function, the marketing department, etc.?*” allows them seldom or never to make any *quantum leaps*, where totally new knowledge and understanding about a phenomenon emerge. Existing frameworks are expected to fit service as well. In the Nordic School approach the question is reversed: “*How could concepts and models look like to fit service as a phenomenon?*” This makes you think differently, see new avenues to explore, and look for new solutions, he argues. Gummesson emphasizes that a researcher may find that not everybody is appreciative of deviating from the norm, but his advice is that if you truly believe in your approach, “do it anyway --- don’t be a victim of the system”.

Because of this approach to scholarly research, theory development is often considered more important and interesting than theory testing, although the latter type of research of course also exists. The basic argument here is that one cannot test a theory before the theory exists. Theory development means that conceptual research and the use of case studies and other qualitative methods are often favored over conventional mainstream methodological approaches. Quantitative methods based on large-scale samples cannot be used until there is a solid enough understanding of what to test. Conventional research approaches tend to jump too quickly into theory testing, and when there is only limited understanding of the phenomenon to be tested, much has to be left outside the scope of a study and the result is questionable. In addition we should realize that some phenomena are too complicated to lend themselves to quantitative survey-based methods.

Representative for the Nordic School is also a relatively high tolerance for differences. This may also be related to the fact that when approaching phenomena Nordic School researchers tend to search for and draw on theories in different disciplines, not only sticking to the ones in marketing, says Edvardsson.

In conclusion, the Nordic School approach can be summarized in the following way:

- The Nordic School is not normative in the sense that it tells you that this is the way to do research. Rather, there are many ways of looking at a phenomenon and many scientific approaches that may fit knowledge development and testing.
- Listen to others, there are underlying reasons why they believe as they do, try to discover what these beliefs are and whether you can learn something from them.
- Never be restricted by existing theories, frameworks, models or concepts or by dominant scientific approaches and methods.
- Step aside, and if you find it promising, dig where no one even has thought of digging before.
- Be logical and grounded in what you do.
- Believe in yourself and in your idea, and unless you yourself realize that you should drop it, do not let anyone talk you out of it.

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THE EMERGENCE OF THE NEW SERVICE MARKETING: NORDIC SCHOOL PERSPECTIVES

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ABSTRACT

Purpose – To offer a reflective account of the emergence of new marketing theory as seen through the lenses of the Nordic School of Service.

Methodology – Based on documents and the authors' self-lived history and current involvement ("management action research").

Findings – Northern European scholars, especially from Finland and Sweden, have felt free to design their own theory at the same time collaborating internationally. Nordic contributions include an early alert to the fact that both services and business-to-business (B2B) marketing were neglected in marketing management; that people were dissatisfied with service quality; that the service economy was more than the conventional service sector; that relationship marketing and later many-to-many network marketing better represented reality; and that we are arriving at a new service logic abandoning the overriding goods/services, B2B/B2C, and supplier/customer categories, instead focusing on commonalities and interdependencies. Nordic School methodology is dominated by inductive case study research aimed at theory generation. This allows the study of complexity and ambiguity which favours validity and relevance. With the new millennium, the synthesis provided by service-dominant (S-D) logic, IBM's service science programme with its focus on complex service systems, and network and systems theory to address complexity, have inspired a lively international dialogue in which Nordic School representatives are active contributors.

Implications – The hegemony of the marketing management of mass-manufactured consumer goods was challenged when services entered the marketing agenda in the 1970s. During the 1980s and 1990s the differences between goods marketing and service marketing were explored and the understanding for relationships, networks and interaction developed. It gradually laid the ground for the integrated goods/services approach that is now the major challenge for service researchers and practitioners alike.

Originality/value – It is unfortunate if developments of marketing in the US are perceived as a universal standard for marketing. By studying contributions from many cultures and countries we enhance the understanding of the diversity of marketing. This article presents such a case from Northern Europe.

Keywords – Nordic School, marketing theory, service, relational approaches

Paper type – Research paper

INTRODUCTION

We got the idea to the designation *Nordic School of Service* from two previous schools of thought. The *Copenhagen School* developed “the parameter theory” as an extension of microeconomics in which price is the single market-regulating parameter. The new theory added quality, service, and advertising through which sellers could also influence markets (Rasmussen, 1955; Mickwitz, 1959). The *Stockholm School* (1930s-1970s) embraced internationally reputed Swedish economists, among them the Nobel Laureates in Economic Sciences Gunnar Myrdal and Bertil Ohlin and the former Secretary-General of the United Nations, Dag Hammarskjöld, winner of the Nobel Peace Prize. It was not a uniform group but its members worked creatively to adapt economics to reality (Nycander, 2005). We thought a brand could also be supportive in making Nordic service research more visible internationally.

The interest in services marketing began in the 1970s in several countries simultaneously. Services were absent in management and business disciplines despite official statistics telling us that services constituted the largest economic sector in developed economies. The dominating marketing management and mix approaches built on experience and research of mass manufactured and mass distributed consumer goods. Service as a specific type of economic activity was not on the business school agenda.

In Northern Europe Christian Grönroos, Evert Gummesson and Richard Normann were the most active early advocates for service. Grönroos and Gummesson with a background in marketing developed concepts and models with both similarities and differences. They saw the Nordic School as a supportive community with service as the unifying topic allowing its voluntary members to find their own way. Normann came from corporate strategy and organization theory. Although he did not use the Nordic School brand, the fact that all of us appeared at the same time with similar ideas and with the open definition of the Nordic School, we have chosen to include his contributions in this article. Many of his disciples work with us; academically most notable is Kaj Storbacka whose publications (e.g. Storbacka, Strandvik and Grönroos, 1994) are used in classrooms and research.

A parallel renunciation of consumer goods marketing management in favour of relational approaches occurred in business-to-business marketing (B2B). At Uppsala University, Sweden, it gave birth to the *Industrial Marketing and Purchasing Group (IMP)*. Its subject is not specifically service but IMP members have provided ideas to service development through their studies of relationships, networks and interaction (see overview in Håkansson et al., 2009).

The article proceeds to discuss the past, present and future of marketing with the conviction that theory developments are as much the story of individuals and institutions as of the empirical and conceptual research contributions. We then present the work of early key actors and major research institutes; sum up Nordic School approaches and contributions; and end with reflections of the value and progress of service marketing.

STUDYING THE PAST, PRESENT AND FUTURE OF MARKETING

With few exceptions it is not feasible to foresee the future although forecasts can be more or less qualified. History on the other hand may sound easy; isn't it just to record the past? We must be aware that even the past is only partially traceable with all its people, institutions, networks, events, ideas and contributions. We can't overview it all; we never have complete and entirely reliable information. Further, the mass of data has to be conceptualized and interpreted; there is no such thing as an objective description. In hindsight one may feel compelled to present a rational and streamlined pattern and appealing but usually premature generalizations. Our strategy is to be reflective and accept real world complexity and ambiguity, and to enter into constructive dialogue with others.

Marketing history is usually presented just as the concepts, theories and philosophies of those who contributed. In our view all efforts to objectify and conceptualize without considering the people behind it are inadequate. The researcher is the most important research instrument and all application of research is guided by individual persona and the persona of the "researchscape", the context within which an individual acts.

The history of "general" marketing as presented in the English-speaking literature is invariably the US history (Bartels, 1976; Sheth, Gardner and Garrett, 1988). When it comes to the history of specific developments that is also usually the case, for example Sheth and Parvatur (1995) on the history of relationship marketing. Although the term marketing has been adopted in its English version or literally translated to other languages, exchange through trade and commerce is thousands of years old. One could object that this is not modern marketing. No, because the marketing context – society, markets, technology – was different but the principles are essentially the same. Contributions to marketing come from researchers and practitioners from many parts of the world. The variation may be substantial although mainstream US marketing is so widely exposed through textbooks and certain journals that it obscures other contributions and seems to discourage scholars in many countries to trust their own minds and environment as the basis for theory development.

Service marketing history is presented with more international awareness. Examples are Berry and Parasuraman (1993), Fisk, Brown and Bitner (1993), and Fisk, Grove and John (2000). Further, there are articles that start with Greek philosophers 400 years BC, and proceed to Scotsman Adam Smith (1723-1790), Frenchman Jean-Baptiste Say (1776-1832), German Karl Marx (1818-1883) and so on (Delaunay and Gadrey, 1992; Grönroos, 1994a; Lovelock and Gummesson 2004; Vargo and Lusch, 2008b).

When service was highlighted in research in the 1970s this rapidly gave birth to a critical mass of researchers from many universities. The hegemony of the marketing management of mass-produced and mass-distributed consumer goods was challenged and a relational approach to marketing in general became wide-spread. Service firms and government organizations began to understand the need for service marketing and management. Both together with researchers and on their own, practitioners developed new strategies. Despite

this progress, the findings have not been properly integrated into a more valid general marketing theory. Further theory generation and practical application is imperative.

Although there are similarities between countries there are also differences both in markets, culture, business practice, theory development, and marketing education, and national languages make the marketing history inaccessible internationally. By studying the development of marketing in many cultures we enhance the understanding of diversity and the different contributions. This article presents such a case from Northern Europe. The approach and the results from the Nordic School are in part original with the recognition of influences from international collaboration.

Marketing theory had its roots in microeconomics where price is the core variable; it's often simply called price theory. It goes back to Swiss mathematician Nicolas Bernoulli (1695-1726) and his interest in the consumers' buying decisions. Adam Smith's idea of how the invisible hand and the self-interests of the free market, consisting of rational "economic men" would make markets frictionless and instantly adaptable dominate microeconomic theory.

Microeconomics and macroeconomics are today the two big areas of the economics discipline. However, microeconomics has turned into a mere theory of anomalies. Free markets automatically regulated by the invisible hand and rational behavior of the masses hardly exist. The "hand" belongs to visible or invisible individuals, organizations and networks that consciously manipulate and manage markets. Microeconomics has long sought ways out of its dilemma by introducing various "explanations", primarily by applying theories from psychology. It goes under the name of behavioural economics but is still committed to forcing data into the costume of price theory thus imposing unrealistic restrictions on their efforts. It does not cite research in marketing; we are not even sure they know about it. The marketing discipline used to refer more to economics but during the past 50 years these references have practically disappeared. The reason is simple: economics has little to offer.

The textbooks of marketing, which influence the attitudes of young students in their formative years, are still structured around marketing mix theory from the 1960s. The 40 years of developments have gone unnoticed and not generated more inclusive and general theory. This is unfortunate but intriguing and cannot be explained intellectually; it has to do with power, recognition, money and other aspects that should ideally not control what is meant to be a scholarly environment.

In their 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-) thus having reached maturity and recognition as a subdiscipline of "general" marketing. The stages stood out as reasonable at the time. But 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, we would like to offer a revised classification, defined by three paradigms: the goods paradigm (pre-1970s); the services vs. goods paradigm with focus on differences (1970s-2000s); and the service paradigm based on goods/services integration and interdependency (2000s-) (Gummesson,

2012). Such chronological classifications should be treated as rough efforts to facilitate the interpretation of ongoing changes. These are non-linear changes; they do not appear simultaneously in all contexts; and they may be in progress for a long time before they become part and parcel of the mainstream.

During the past decades the Nordic School has pointed to many of the conclusions that now form the 2000s integrative service paradigm. They are recognized in service-dominant (S-D) logic introduced by Vargo and Lusch in 2004 (see updated and revised versions in Vargo and Lusch, 2008a, 2008b; Lusch and Vargo, 2014). S-D logic has inspired researchers globally by its synthesis of marketing and management based on a stakeholder-centric definition of service as an all inclusive concept for a firm's output, the value proposition, thus dissolving the goods/service divide (for further overviews, see Gummesson, 2007; Gummesson, Lusch and Vargo, 2010; Mele and Polese, 2011). Among other SD logic concepts that have raised the most interest are cocreation of value and service, and integration of resources between stakeholders giving an active (operant) role to customers. In the 2000s, IBM introduced its long term *service science* research program with its orientation towards practice. IBM was once an acronym for International Business Machines, but IBM has kept shifting its business mission from office machines to data processing to computer science and in the 2000s to service science. IBM researchers identified 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 has launched the slogan "Create a Smarter Planet" (Spohrer et al., 2007; Maglio and Spohrer, 2008; Maglio, Kieliszewski and Spohrer, 2010). In these efforts the necessity to address complexity and to use network and systems theory are recognized as well as special applications such as those from the IMP Group, many-to-many marketing (Gummesson, 2006) and the viable systems approach, VSA (Barile and Polese, 2010). A rich literature has followed in the wake of these contributions. These ongoing developments form the "3 Pillars" of the biennial *Naples Forum on Service*, first held in Italy in 2009. Although the basic ideas of S-D logic are widely accepted, criticism towards aspects of its premises and some of its conclusions have been voiced, also by Nordic School scholars (e.g. Heinonen et al., 2010; Grönroos, 2011; Grönroos and Ravald, 2011).

NORDIC SCHOOL ACTORS AND INSTITUTIONS

Covering a period from the 1970s up to 2012, the article is based on our self-lived history of marketing and service and our current involvement. We have used the methodology of *management action research* (Gummesson, 1990/2000, 2016a) where the actors are also the researchers, continuously reflecting on what has happened and what is in progress. The great advantage of action research is the privileged and first-hand access to focal phenomena. It is subjective and personal but is open to alternative interpretations. We realized that giving a full and balanced account of all contributors and contributions to service research from the Nordic countries was beyond our capacity; the risk of bias was too big. So the strategy became: Let's write about what we know best, and let's try to lift it beyond mere description.

Although working independently, Nordic School affiliates are diligent participants in and organizers of international conferences; they utilize references and research results from around the world; and write articles in international journals. They have also strived to bridge the gap between academe and practice through cooperation with business firms and government organizations. This section introduces the pioneers of the Nordic School and the main institutes which have been established. They include Grönroos, Gummesson and Normann (in alphabetical order) who all began in the 1970s, followed by Edvardsson who started a decade later.

Christian Grönroos, CERS (Centre for Relationship Marketing and Service Management), Hanken School of Economics, Finland

Gösta Mickwitz, professor at Hanken School of Economics, Finland, and member of the Copenhagen School, appointed Grönroos as teaching assistant in 1971. In 1976 Grönroos took an interest in the marketing challenges for service firms and in 1979 defended his PhD thesis on service marketing. For ten years the thesis was used as a textbook in the Nordic countries. Through empirical case study research he showed that traditional consumer goods-based marketing concepts and models did not fit services. He distinguished between a traditional marketing function, including conventional marketing mix tools, and an interactive marketing function that relates to the interactions between firms and their customers. This also made him realize the importance of preparing employees working in the customer interface not only for doing their job well in a technical sense, but also for dealing with customers in a service-oriented way. This required internal marketing, a new concept at the time also simultaneously introduced in France and North America (for a synthesis, see Ballantyne, 2004). He divided marketing into a traditional, external marketing process, an interactive marketing process, and an internal marketing process (Grönroos, 1978; 1982). He also realized that service firms do not have products in the conventional consumer goods fashion; the equivalent of the product is an interactive process and its outcome. This led to a model of perceived service quality (Grönroos, 1984) with two fundamental elements, viz. functional quality relating to the process aspect of service, and the technical quality relating to the outcome. As a third element he included an image factor, filtering the perceptions of the service process and its outcome, and adding a dynamic aspect to the otherwise static model.

He soon realized the importance to break free from marketing's conventional borders, thus integrating a marketing or customer focus with the tasks of all business functions. To emphasize the cross-functional market-oriented management aspect of service marketing he suggested that service management is a more appropriate term than service marketing (Grönroos, 1990).

In the late 1980s and 1990s he extensively argued for the relational aspects of service marketing, and demonstrated that relationship marketing is depending on a service perspective. In the highly cited articles "From marketing mix to relationship marketing" and "Quo vadis, marketing. Toward a paradigm shift in marketing" (Grönroos, 1994a, 1994b) he

advocated a cross-functional approach to relationship marketing and stressing the important role of value in relationship marketing (Ravald and Grönroos, 1996). In a later article (Grönroos, 1999) he went as far as to suggest that the term marketing is too restrictive and one-dimensional to be useful. Rather it blocks an organization from becoming service and relationship orientated.

In the 2000s he has been involved in studying service productivity (Grönroos and Ojasalo, 2004), mutual value creation and how manufacturing firms can become service businesses (Grönroos and Helle, 2010), reciprocal return on relationships (Grönroos and Helle, 2012), marketing theory and promise management (Grönroos, 2006a, 2009), and in contributing to a logical development of a service perspective on marketing and business (Grönroos, 2006b, 2006c; Grönroos and Ravald, 2011).

At his alma mater, Hanken School of Economics, Grönroos became professor of marketing in 1984. Following his initiative Hanken established the *CERS Centre for Relationship Marketing and Service Management* in 1994 with him as its first chairperson. He stepped down from this position in 2010 and his former PhD student Kristina Heinonen took over as chair and executive director. Research within CERS includes a vast array of topics with service and relationships as a common denominator. For several years, successful firms in Finland were honoured by CERS with an award for excellence in relationship marketing and management. In 2010 CERS and the Marketing Department of Hanken established the *Grönroos Service Research Award* to be annually presented to an internationally acclaimed researcher who has produced outstanding research challenging common understanding and demonstrating significant originality.

Tore Strandvik's interest in service marketing was triggered when in the late 1980s he and his colleague Veronica Liljander decided to challenge the perceived service quality model. Subsequently he did his PhD on service quality and as professor of marketing continued his work on service and relationship topics (Storbacka, Strandvik and Grönroos, 1994; Edvardsson and Strandvik, 2009; Strandvik and Holmlund, 2008; Heinonen and Strandvik, 2009). Strandvik was at one time executive director of CERS and is now a board member of both CERS and CTF (see further below), one of the many examples of the close cooperation between Finland and Sweden. His research has continued to challenge what he considers a lack of true customer centricity in service and relationship research, and even in the new emerging service perspective. For example, Strandvik with his colleague Maria Holmlund-Rytkönen and with Bo Edvardsson, have criticized the offering concept as firm centric and argued for "a customer-based needing concept" (Strandvik, Holmlund and Edvardsson, 2012). Together with a research group he has developed the notion of a customer-based dominant logic for marketing as a complement or even a replacement of the service perspective (Heinonen et al., 2010).

Evert Gummesson, Stockholm University School of Business, Sweden

After graduation Gummesson planned a career as marketing practitioner. His attention was drawn to service when moving from consumer goods to an international management consulting firm. Its marketing of consulting services was highly successful but did not follow marketing textbook recommendations. This observation resulted in articles, books, and a PhD thesis presented at Stockholm University in 1977. In his thesis the marketing and purchasing practices of twenty professional B2B service firms were compared with marketing theory. He found that neither services nor B2B were but marginally noted in the literature although they constituted the major share of all marketing expense. Marketing textbooks were based on US data and experiences from mass consumer goods but was presented as generally valid. He found that the core of the marketing of professional services was interaction in networks of relationships both in the market and inside the firm; that credibility and reputation built on performance in assignments; that word of mouth and the initiatives of individual consultants were the keys to sales (what he later refers to as “part-time marketers”); that it was hard even in retrospect to measure the quality of a professional service; and that the marketing literature did not address quality (later extended to the quality-productivity-profitability interdependency; Gummesson, 1998, 2016a). The findings were published in several international papers (e.g. Gummesson, 1976, 1978, 1979, 1981a, 1981b).

As consumer goods marketing theory did not match the marketing of services and B2B it was natural to look at these as different. It was vital to study them inductively, letting theory emerge from the data and not forcing data into extant theory. It struck Gummesson that service research and IMP arrived at similar results, which he condensed to the concepts of relationships, networks and interaction. He suggested a synthesis of IMP research and service research in 1983 at two European conferences (“a new concept of marketing”) (Gummesson, 1985; Grönroos and Gummesson, 1985).

Through continuous assignments at Ericsson he got deeper into B2B and the currently topical issue of the services of manufacturing companies. He found that selling telecom systems meant a close combination of design, engineering, manufacturing, service and long term collaboration with the major customers. This is claimed to be a new issue in the 2000s but it was long established even in the 1980s. However, the problem has not yet been solved.

In 1986 he became part-time professor at Gothenburg University and Karlstad University in connection with the founding of the *Service Research Center, CTF*. On the initiative of professor Solveig Wikström he was offered a chair on service management at Stockholm University. He hesitated, afraid that the academic culture would distance him from the reality of the business world. In the 1990s universities and professors were freer to design their work than they are today and a reasonable solution was found. At its School of Business, the biggest in Sweden, the departments were not silos but made cross-disciplinary work possible. Gummesson worked to make services everybody’s concern and not just a marketing issue. Service became the subject of PhD dissertations, and courses were introduced. Emeritus professor since 2002, he is still part of Stockholm University and working in close contact with CERS, CTF, Tampere University (Finland) and an extensive international network.

In the late 1980s relational approaches to marketing began to be generalized beyond the services/goods and B2B/B2C divides. They became conceptualized as *relationship marketing*, *CRM (Customer Relationship Management)* and *one-to-one marketing*. The idea was that long term customer-supplier relationships are more effective than single transactions which were the prime object of marketing management. To make relationship marketing more actionable, Gummesson (1987) defined concrete relationships that later became thirty, the 30Rs, thus paraphrasing the 4P model. His book in Swedish in 1995 became an immediate bestseller and is published in English as *Total Relationship Marketing* (2016a).

For Gummesson, networks gradually stood out as the overriding concept resting on the legs of interaction and relationships (Gummesson, 2006, 2016b). *Many-to-many marketing* is a network approach that integrates lessons from service marketing, the IMP B2B approach, and relationship marketing. Whereas one-to-one draws the attention to individual customers in dyadic relationships, many-to-many acknowledges all stakeholders in marketing situations. It takes relational properties in the direction of a general marketing and management theory, linking B2B, B2C and C2C (customer-to-customer interaction), further explained in Gummesson and Polese (2009). This thinking and much of what the Nordic School had contributed over many years found further support in S-D logic and IBM's service science program.

Disgruntled by the slowness of the acceptance of new developments he published a critical review of approaches to service quality (Gummesson, 1993) and in an article objected to inadequate distinctions between goods and services (Lovelock and Gummesson, 2004). In 2009 he co-founded the biennial *Naples Forum on Service* with Italian professors Cristina Mele and Francesco Polese supported by the fathers of S-D logic Bob Lusch and Steve Vargo and the leader of the IBM service science program Jim Spohrer. As recognition for his work with the Forum the *Evert Gummesson Advanced Research Award* was instituted in Italy in 2011 and he became the first recipient of the *S-D Logic Award*.

Richard Normann, Service Management Group (SMG)

After his PhD in 1975 Normann worked as a management consultant and in 1980 founded the *Service Management Group, SMG*. During many years it was a leader in service consultancy. An internationally-oriented Swede he took up residence in Paris with the bulk of his clients in Sweden and Finland but also in the USA, Italy and other countries. At times he was guest researcher at Harvard Business School, and guest professor at the Copenhagen Business School, Denmark, and Lund University, Sweden. He was the epitome of a thinker and high achiever but sadly died of cancer in 2003 at the age of 60.

Marketing had positioned itself in the core of service research but recognized that services were closely interwoven with general management and other functions. Normann's book *Service Management* (1984/2001) became an internationally recognized book which made the term service management known. He introduced the metaphor of "the moment of truth," referring to the customer-provider service encounter and interaction. Normann's vocabulary

was somewhat different from that of the Nordic School, and although his point of departure was corporate strategy, organization theory and management, the content and the ideas were similar.

Gummesson and Grönroos stayed in contact with Normann, but he preferred to concentrate on consultancy and rarely attended an academic conference or wrote an article. An exception is the comprehensive article with Rafael Ramirez in *Harvard Business Review* (1993), “*From Value Chain to Value Constellation: Designing Interactive Strategy*”. It was a milestone in the conceptualization of their service logic, tied to the IKEA case. Normann’s last book, *Reframing Business* (2001), is a synthesis of his life-long learning and also his last will and testament to the academic and business communities. A tribute to Normann’s contributions and their affinity to recent international developments in service is found in Michel, Vargo and Lusch (2008).

Bo Edvardsson, CTF Service Research Center, Karlstad University, Sweden

In the early 1980s Bo Edvardsson became assistant professor at Karlstad University College, at that time an affiliation of Gothenburg University. He had a PhD from Uppsala University on new product development and observed that companies often expressed a desire to develop new and better services. His seminars on the service economy created considerable interest, also in the media. Encouraged by international contacts, especially the *First Interstate Center for Services Marketing*, now the *Center for Services Leadership*, Arizona State University, and with the support of the vice chancellor Lennart Andersson he took the initiative to a service research centre in Sweden. He raised the interest of others; particularly the entrepreneur and service firm executive Leif Magnusson. Karlstad University, as it later became, was looking for profiling opportunities and *The Service Research Center (CTF, Centrum för tjänsteforskning)* was founded in 1986 with Gummesson as its first professor and Edvardsson as its director.

The first tasks were to find a strategy, establish research and education programs and gain credibility in the academic world. Instead of trying to first establish credibility in Sweden, why not follow a leapfrogging strategy skipping the local stage and go directly to the international community? During ten years Gummesson had built an international network of service pioneers, among them Len Berry, Mary Jo Bitner, Steve Brown, Pierre Eglier, Bill George, Eric Langeard, Chris Lovelock, Parsu Parasuraman and Lynn Shostack. Going international from the start was a lucky move.

In the 1980s quality management had moved from manufacturing to embrace all functions of an organization, services and customers. CTF dedicated its early research to service quality. It led to the establishment of the *Quality in Service Symposium, QUIS* (now the *International Research Symposium on Service Excellence in Management*). CTF teamed up with the *Center for Services Leadership* and its director Steve Brown. QUIS1 was held in Karlstad in 1988 and QUIS2 in the USA, co-hosted by professor Eb Scheuing, St. John’s University, New

York, and the telecom company GTE. QUIS has since taken place biennially alternating between Sweden, USA and other countries.

Edvardsson built a team of researchers, among them Anders Gustafsson. He has stayed on as its director, today together with professor Patrik Larsson. CTF researchers have become prolific writers of articles, book chapters and books. Among those who have studied marketing-related issues are Bo Enquist, Margareta Friman, Per Kristensson, Per Skålén, Inger Roos, Bård Tronvoll and Lars Witell (see e.g. Edvardsson and Roos, 2003; Roos, Friman and Edvardsson, 2008; Edvardsson and Enquist, 2009; Skålén, 2010; Witell et al., 2011).

CTF is especially known for research in service development and innovation. In a frequently cited article by Edvardsson (1997) key concepts of new service development are presented. Customer involvement in the development process and observations of customers in real action is the theme of an article in *Technovation* (Edvardsson et al., 2012) where an overview of methods for customer integration is provided, supported by empirical studies. See also Edvardsson et al. (2000), Kristensson, Gustafsson and Archer, (2004), Edvardsson et al. (2006), Magnusson (2009) and Edvardsson et al. (2012).

An often cited article, “Service portraits in service research”, discusses service as a perspective on value creation rather than a category of market offerings (Edvardsson, Gustafsson and Roos, 2005). The focus is on the outcome of a cocreation process in which customers and other actors play a key role and value is socially constructed. This is further developed in Edvardsson, Tronvoll and Gruber (2011) where the authors argue that a service system is embedded in a social system. The authors contend that value should be understood as value-in-social-context and as a social construction.

One of the key focus areas for CTF for a long period of time has been customer satisfaction. Especially Anders Gustafsson has established a long research relationship with the *National Quality Research Center (NQRC)* at University of Michigan Business School. In this research stream the focus has been on the national satisfaction indices and how to develop these (Johnson et al., 2001; Johnson, Herrmann and Gustafsson, 2002), how to measure an estimate customer satisfaction models (Gustafsson and Johnson, 2004), and linking satisfaction to different types of behavior (Gustafsson, Johnson and Roos, 2005).

The *Service and Market Oriented Transportation (SAMOT)* is a ten year program for the transportation sector in Sweden. Critical incidents in customer relationships, customer switching, and complaints and loyalty have received much attention in CTFs research (Edvardsson and Strandvik, 2000, 2009). CTF researchers are actively engaged in the current developments of the new service paradigm and cooperate closely with S-D logic and service science researchers. Other areas of research are customer experiences, employee relationships in service organizations, customer loyalty and relationship dynamics, service business models and the transition from products to service in manufacturing companies (Gebauer et al., 2010, Gebauer, Gustafsson and Witell, 2011) and customer relationship dynamics.

CTF is now a leading international center with a current research staff close to 60. It works with universities around the globe and with businesses and government organizations. Among its important partners are IKEA, Volvo, Ericsson, Telia and SKF. An extensive network of 25 research centres around the world, the *International Academy of Services Research and Education*, has been established and is managed by CTF. Every year CTF organizes the *Service Academy* where cutting edge research is presented in cooperation with business. In 2011 CTF celebrated its 25th anniversary with seminars and international guest speakers.

Other researchers

The interest for service spread quickly in Finland and Sweden and soon became an established research field and subject for courses. The two research centres that were established are among the biggest internationally, but we should be reminded that much is going on in smaller groups and among individuals in practically all business schools in Sweden and Finland. Taken together this is impressive. It is only the size of this article that prevents us from going deeper into other contributions and what is currently going on.

PRACTITIONER CONNECTIONS

At an early stage Grönroos went on the speaker's circuit in Sweden and Finland with presentations of the new service thinking among universities, businesses and the government sector, and Normann worked through his consulting company. Gummesson worked more broadly with marketing issues, especially through consultancy and education dealing with service in B2B. Edvardsson related to practice through presentations and consultancy. Others like Leif Edvinsson, Jarmo Lehtinen, Lars-Johan Lindqvist, Inger Roos, Tore Strandvik and Solveig Wikström also worked closely with the business and government sectors.

In 1974 the Marketing Technology Center, MTC, was formed in Sweden as a broker between researcher and practitioners interests. Its first director, Dr. Rolf Back, took an early interest in service and supported Gummesson's and Grönroos' research. MTC has continued to actively support service research in cooperation with universities and business firms.

A breakthrough for practitioners in both business and government occurred when Jan Carlzon became the CEO of *Scandinavian Airlines (SAS)* in 1981. Through Carlzon's charismatic personality SAS and its reconstruction got extensive media exposure and functioned as a challenge for academic research. He had learnt from two previous CEO positions in the travel sector that the customer was set aside. SAS at that time – like most airlines – saw aircraft and employee administration as its core activity and passengers as disturbances. Carlzon launched the slogan "Customer in Focus" and stated that positive interaction between SAS staff and customers was critical for success. Carlzon ran service training sessions for all staff; flattened the organization; and made structural changes in time-tables, destinations, and fares. At the time his efforts rescued SAS. In Carlzon's heydays SAS became internationally copied and a

few years later his book *Moments of Truth* (1987), today ranked as one of the 100 most important leadership books, communicated his philosophy to a broad audience. Interviewed over 20 years later, Carlzon maintains that the message is just as topical today.

Jan Wallander, a prominent Swedish economist and researcher who became managing director of a regional bank and later of the major bank *Handelsbanken*, also had an impact on service thinking and practice. He made many changes in the bank's operations, among them focusing on customer relationships and improved service. His management philosophy is documented in several books, especially one where he emphasizes the need to manage a service business in tune with human nature, and not against it (Wallander, 2002; only published in Swedish).

In 1985 the *Coalition of Service Industries (Tjänsteförbundet)* was founded in Sweden by major service companies and was active during a 10-year period. Its mission was to make society aware of the service economy through extensive lobbying to politicians, the media and others, and to support service research and education. Mainstream political thinking was still based on industrial era conditions, and unfortunately obsolete official statistics and economics theories are still conceptually rooted in this era.

Has the practitioner effect been significant and sustaining? This is impossible to measure quantitatively as there is too much variety among firms and cultures and marketing has adapted to changing customer needs and wants and the new infrastructure of the Internet and mobile communication. In recent years finance and shareholder value has been in focus 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 purpose of maximizing short term profits. Service research has extensively dealt with satisfaction surveys but the major issues of value creation to the benefit of consumers, businesses, governments and society at large have been absent. Therefore the long term commitment from IBM to develop service science in cooperation with currently over 500 business schools and schools of technology from all parts of the world is especially welcomed.

NORDIC SCHOOL RESEARCH IN SUMMARY

Nordic School research approaches and contributions have been presented in the text. They are further found in the references although the reference list only covers a small portion of what has been published. Here is a summary of essentials of Nordic School thinking (see also Grönroos and Gummesson, 1985, pp. 6-8; Grönroos, 2007, pp. 5-6):

- We are now arriving at a new science (or logic) of service as value-creation abandoning the production-centric goods manufacturing versus a service sector divide. This issue has been raised by the Nordic School over the decades.
- Conceptual work and thinking out-of-the-box are key characteristics of the Nordic School. Research is not constrained by mainstream norms regarding what marketing is or what makes research scientific. The research is oriented towards

case study research, action research and other interactive and interpretive methods, but quantitative methods like surveys are used when appropriate.

- Theory generation is considered more important to the development of a discipline and not just as an antecedent to hypotheses-testing. Constant comparison between new and existing theory, keeping the winner and discarding the loser, is a productive way of evaluating theory. In certain instances traditional theory testing has also been found useful.
- Initially service marketing research was normative and pragmatic but is increasingly striving to offer both basic and applied research.
- Alleged service characteristics used in the 1980s and 1990s – intangibility etc. – have proved to be invalid to define goods and services as overriding economic categories. They are only some of numerous dimensions that can help define any offering or marketing situation.
- Services and service should not be defined as a goods anomaly but as something in its own right, representing a perspective and certain aspects on marketing. Service and goods should always be addressed as interdependent. In fact goods have never been properly defined, and manufactured goods are also the outcome of processes, although the consumer is rarely present.
- The concepts of the service economy and service competition were syntheses of goods, services and other input to offer service and value to citizens and customers.
- Making clear that marketing management and mix theory could not be directly applied to service as it is rooted in B2C mass marketing and mass manufacturing of goods. Long term interactive relationships and networks rather than transactional exchange are considered the core of research in marketing as well as in marketing practice.
- Service management and market-oriented management are more adequate concepts than service marketing and marketing management. Marketing is not a silo among silos. The concept of internal marketing emerged as a natural consequence of this integrative approach.
- This is supported by the concepts of full-time marketers (those hired as marketing professionals) and part-time marketers (others who on part of their time influence a firm's marketing, among them employees, customers, suppliers, intermediaries and the media).
- Service is seen as activities combined into processes. Service processes (conventionally referred to as service production and delivery) and service consumption are partly simultaneous processes where customers are active co-producers and cocreators.
- Many characteristics of service marketing align with the B2B research done by the IMP Group and where the active role of customers is emphasized together with network thinking. Nordic School research has here benefitted from this.
- Relationship marketing, CRM (customer relationship management), one-to-one and later many-to-many marketing could be referred to the three core variables of relationships, networks and interaction.
- C2C interaction has become a major element of marketing expedited by the new infrastructure of the Internet, mobile communication and social media.

The general difference between the Nordic School approach to service research and mainstream, mainly US-led approaches, is illustrated in Figure 1. When mainstream research has taken existing marketing models and concepts, such as the marketing mix, market segmentation and marketing function, as a starting point, the Nordic school approach is different. Its starting point is service as a phenomenon in its marketing context. When mainstream research asks how service fit into existing marketing models, Nordic school research asks how concepts and models that support the understanding of service marketing should look like.

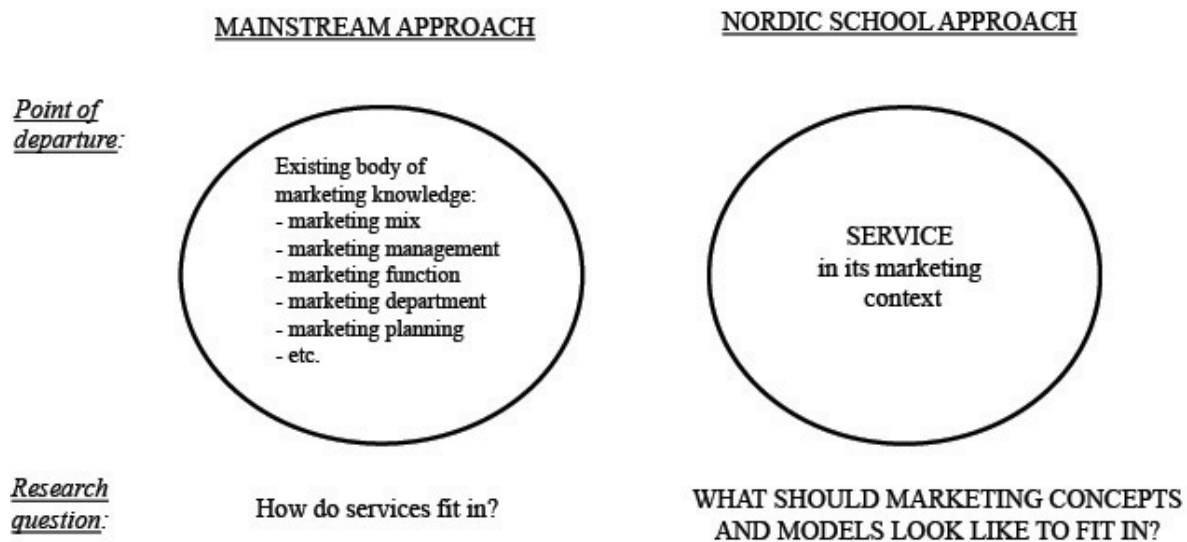


Figure 1. The Nordic School approach to studying services compared to the mainstream approach (source: Grönroos, 2007, p. 5).

PROGRESS BUT ALSO DISAPPOINTMENTS: LAST MINUTE REFLECTIONS

Going back to Nordic School contributions from the 1970s and 1980s and also to other early contributions from other countries, it is baffling to see how much of what is now presented as new service theory was already there at the time. Although we have had a friendly and in many way productive collaboration with US and other non-Nordic researchers, the 1980s and 1990s became dominated by US research. It was published in widely circulated and recognized US journals which were – and still are – much more difficult to access for non-US authors, especially as their research approach often deviates from US business school norms.

Concerns and questions we ask ourselves and related thoughts include:

- Has service become better? Numerous traditional service areas are in great trouble: financial service, health care, local transportation and education just to mention a few. These are extremely complex networks of service systems – but also fundamental to the welfare of societies. Does service research address these issues in any significant way that has a positive impact on markets and nations?

- Slow acceptance of scholarly contributions and the over-selling of simplistic studies and techniques at the cost of addressing complexity and emphasizing service as a perspective. Service marketing has not yet entered the marketing textbooks but as a special case of the 1960s marketing mix approach.
- Paradigm shifts in marketing theory occur at a slow pace although it is constantly advocated that knowledge development and change occur at an increasingly more rapid rate.
- Economics and official statistics preserve the centuries' old but long obsolete division in the manufacturing, service and agricultural sectors. These are supplier-centric (employment, cost, revenue) and neglect the customer and actual consumption. There are no statistics of value-in use.

How come two small nations like Finland and Sweden can make an international impact as the Nordic School and its service research has done? How come that it has two of the world's major research centres of service, and that service thinking is widespread in all business schools in both countries? It certainly shows that size is only one dimension that sometimes counts, sometimes does not.

Why does it take so long to get rid of obsolete and irrelevant concepts and terms in social sciences when it is so much quicker in technology? The Nordic School has attempted to expand service marketing in the direction of relationships networks and interaction taking marketing beyond the one-function approach manifested in the marketing mix and its 4-to-several Ps toolkit.

While earlier research in service marketing was based on differences we have now entered an era where commonalities and interdependencies are in focus. Recognition of the importance of theory generation and complexity as typical of market behaviour must increasingly show in future research and in its choice of methodology. The hegemony of the past millennium is being broken in research – but not in marketing texts and most service textbooks and only slowly in education. We should learn from history but not feel restricted by it. The all important strategy is to contribute to a brighter future. In the third millennium service research has opened with syntheses of the best of the past and new ideas about further directions. The first priority of the Nordic School is to contribute in this spirit and in the ways its members find fit.

Despite the differences to the US tradition of doing research, a recognition of Nordic School research is that Grönroos, Gummesson and Edvardsson are the only non-US scholars out of 18 who (including 2011) who have received the American Marketing Association's *Christopher Lovelock Career Contributions Award* (formerly called the *Career Contributions To Services Discipline Award*). This may be seen as a token of the importance of international dialogue. Other national and international prizes have also been bestowed on Nordic service researchers.

We would like to conclude where we started: the past, present and the future are elusive and can be addressed in many ways. We see this as our humble contribution. Others are invited to provide their perspectives and interpretations.

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BUSINESS MARKETING – A NORDIC SCHOOL PERSPECTIVE

Christian Kowalkowski

Too much research in marketing focuses on narrow methodological issues and esoteric phenomena detached from the reality of the business world. The critique is frequently advanced by both scholars and practitioners that the marketing discipline has developed in an incremental manner without challenging or de-constructing its established, underlying concepts and assumptions. As MacInnis (2011) observes, “empirical advances (in methods, statistics) and empirically focused PhD coursework have outpaced conceptual advances and courses. Empirical methods are essential, but unless they are accompanied by good and interesting ideas, their value diminishes” (p. 151). As discussed by other authors throughout this book, the Nordic School of marketing thought has, in the spirit of free enquiry, offered research characterised by theory generation, inductive reasoning and case-study method. While conceptually novel and innovative, it has been firmly anchored in the reality of the business world. For example, managerially relevant phenomena have been addressed through in-depth case studies and action research, helping to generate managerial insight and clarify the complexity and ambiguity of the world around us. From my point of view as business marketing researcher, the Nordic School’s perspective on marketing is intellectually interesting, rhetorically appealing, and managerially applicable. In this short piece, I hope to share my thoughts about its relevance to business marketing, its methodological and philosophical position, and how it might help to increase marketing impact.

NORDIC SCHOOL CONTRIBUTIONS TO BUSINESS MARKETING

Even if most research from a Nordic School perspective has taken place in consumer service contexts, such as finance and travel, its intrinsic ideas are applicable to any setting (Holmlund, 2008). Actually, marketing scholars find the business-to-business versus business-to-consumer dichotomy increasingly blurred or even flawed (Dant and Brown, 2008; Fern and Brown, 1984; Wind, 2006). The emerging ‘service logic’ thinking abandons the B2B/B2C, goods/services, and supplier/customer dichotomies and focuses instead on the interdependencies between those traditionally divided categories and the commonalities, rather than the differences, in what we know:

“In addition to what are normally treated as services, consumer durables and industrial products in business-to-business contexts can be treated as services. In these situations the customer interfaces fulfil the characteristics of services more than they fulfil characteristics for goods. A service logic describes better than a goods logic these types of situations... When enough additional elements are included, a service logic provides better guidelines for how to market a physical product than a goods logic does.” (Grönroos, 2006a:330)

Such thinking shares major attributes with ‘service-dominant logic’ (SDL) which, according to Vargo and Lusch (2011), also seeks commonalities rather than differences, emphasises interaction, resource integration, relationships, and networks/systems, and considers all social and economic actors as service-providing, value-creating enterprises. As Lusch and Vargo (2006:284) had already pointed out, the idea of ‘density’ propounded by Normann (2001) aligns very well with the SDL concept of value creation through resource integration and both mesh well with the ideas of interactivity and networks in the writings of Grönroos (2006b) and Gummesson (2006). Michel, Vargo and Lusch (2008) confirmed the major similarities between Richard Normann’s original work and the later SDL. Normann had used such novel concepts as ‘dematerialization’, ‘liquidity’, and ‘density’ to explore the shaping and fluidity of markets through reconfiguration of value-creating systems. A prerequisite for that rearrangement is ‘reframing’ of the overall system, by means of which ‘prime movers’ redefine their own and other actors’ roles. These actors organise the creation of value beyond their own boundaries, not only through new offerings but also by way of novel value constellations and value-creating systems (that is, business ecosystems) in which they would normally not be found. Normann suggested the word ‘ecogenesis’ for such system-level reconfiguration, which lead to permanent changes in the daily lives of consumers or organisations. All economic actors should strive to become prime movers in relation to their own position in the system. A general principle is that resources and offerings do not have intrinsic value, but rather positional value, which is contingent upon the particular system of which they and the firm are parts.

Overall, business marketing has benefited tremendously from both the Nordic School research perspective and SDL, which is made evident by a review of the business marketing publications citing the two research streams: for instance Araujo and Spring (2006), Jayawardhena et al. (2007), Lemke, Clark and Wilson (2011) and Rod, Lindsay and Ellis (2014). According to Baron, Warnaby and Hunter-Jones (2014), the Nordic School of service management and SDL supplement each other very well and have similar perspectives on marketing overall, an assertion that is well supported by an examination of the large volume of research in marketing (and other disciplines) amalgamating and building on both. However, there are also differences. From my point of view, the key one of those concerns managerial relevance. Whereas the focus in SDL is on conceptual advances, increasingly beyond the marketing discourse, the Nordic School has a rich tradition of qualitative research and a focus on managerial implications. For example, the assertion in SDL that the customer is always a co-creator of value (Lusch and Vargo, 2006) obscures some significant real world differences, as Stauss (2005) observes. In his opinion, the consequences of expanding the terms ‘service’, ‘co-production/co-creation’, and ‘relationship’ in such a way are a loss of significance through a broadening of meaning, which he calls “a pyrrhic victory”. This could be particularly problematic for marketing management, which greatly benefits from specific lines of enquiry, such as distinguishing ‘transactional’ from ‘relational’ customers.

Regardless of one’s own ontological views, the distinction between value creation and co-creation is beneficial for analytical purposes, to understand the roles and scope of actors in

value-creation processes. Grönroos and Voima (2013) elaborate on this issue, arguing that co-creation is a function of interaction. Consequently, direct and indirect interaction lead to different forms of value creation and co-creation; co-creation can occur only when two or more parties influence one another. If value creation were to be regarded as an all-encompassing process, co-creation would become a metaphor that would not allow for further analytical development.

Focusing on the reality of the business world and the challenges companies and individual decision makers are facing is a typical characteristic of the Nordic School, which in my opinion is well aligned with what makes business marketing research interesting to carry out. From the outset, Nordic School researchers have emphasised the long-term relational nature of service management (Grönroos, 1994), but that should not be interpreted as a normative recommendation to invest in all relationships. In this respect, the research by Storbacka, Strandvik and Grönroos (1994) into customer relationship profitability and the link between perception measures and action measures has been influential. If offerings and relationships are not profitable enough and have limited prospects of improvement or none at all, there is no foundation for long-term development:

“Since customer relationships do not all have the same value-creation potential, they can at worst tie up customer and provider resources that could have been used to create value in more efficient ways. From the provider’s perspective, it is therefore vital to review them, and identify how to allocate resources in such a way as to enhance the interactions and consequent value creation. From the customer’s perspective, it makes no sense to allocate resources to collaboration with a provider whose offerings focus mainly on value-in-exchange if it is possible to derive more value-in-use from a similar collaboration with a more competitive provider.” (Kowalkowski, 2011:287).

As Grönroos (1997) points out, not all customers want to engage in relationships with their suppliers. Hence, even if the Nordic School emphasises mutual value creation, it does not assume that relationship investments and interactions will *per se* increase customer value, or that relationship marketing is a panacea for competitive advantage. Overall, however, I would argue that the main challenge for companies is not the lack of arm’s-length relationships. Quite the contrary: the excessive and endemic short-term orientation of the actors (including customers and shareholders) inhibits value creation and competitive advantage at both company and value-constellation level.

In this regard, researchers should acknowledge that companies’ financial policies and other institutional structures and mechanisms might govern the behaviour of actors and thus set limits to the feasibility of a given marketing initiative, at least in the short term. Therefore, it becomes vital to understand the business logics of actors (Normann, 2001). One way forward is to make sense of the position of marketing in companies, as reflected in the mental models of boardroom members and top management. That status may in fact be declining. Strandvik, Holmlund and Grönroos (2014) regard mental models as cognitive belief structures that “influences how different issues are understood and acted upon”. They also make the point

that marketing is in practice based on mental models, whether or not they are recognized or studied as such (see also Strandvik and Holmlund's chapter on the topic in this volume).

Another interrelated key feature of Nordic School thinking is a focus on interactions in relationships and networks. For example, relationship dynamics have been explored through the concept of 'negative critical waves', which is consistent with but distinct from the established notion of critical incidents, and defined as "a disturbance in a relationship that emerges and develops within or beyond individual working relationships" (Edvardsson et al., 2014). Relationship dynamics has frequently been studied at the intersection between the Nordic School's service management research and the network approach to industrial marketing to be found in the work of authors associated with the Industrial Marketing and Purchasing Group (Holmlund, 2004). In fact, research in service management and industrial marketing and purchasing (IMP) share many similar perspectives on marketing, their conceptual frameworks supplement each other, and they often arrive at similar results (Grönroos and Gummesson, 1985; Holmlund, 2008). In fact, Vargo and Lusch (2011) argue that the contributions made with respect to concepts such as interactivity, relationships, value and networks by IMP research and B2B marketing (including Nordic School contributions by Normann, Gummesson, Grönroos and others) are applicable to 'mainstream' marketing. Few IMP researchers, however, have investigated profitability, pricing strategy and competition, all of which are issues of major managerial relevance. While they are not a focus of Nordic School research either, these issues have nonetheless been investigated (Grönroos and Helle, 2012; Normann and Ramírez, 1989; Storbacka, 1997).

Despite successful long-term collaboration, joint innovation, and mutual value creation, a decades-long customer-supplier relationship might founder on such rocks as the financial woes of the customer, which will no longer be able in the short term to purchase from its premium key supplier. A senior colleague once told me that, in the high-inflation 1970s, when the research of the Nordic School and the IMP Group was emerging, many Swedish customers were willing, *ceteris paribus*, to pay 10% extra to buy from their Swedish suppliers, something that would be most unlikely in competitive markets today. Since then, not only has global competition intensified in most markets but characteristics of modern shareholder capitalism, such as shareholder short-termism (Aspen Institute, 2009) and corporate governance as a principal-agent problem, where shareholders are casted in the role of 'principals' and managers as self-centred 'agents' (Ghoshal, 2005), have also had major impact on managerial thinking and practice. The decreasing 'mental footprint' of marketing in many boardrooms (Strandvik et al., 2014) further accentuates this change. Opportunities for relationship development and mutual value creation might furthermore be substantially constrained by such practices as public procurement in the European Union, which accounts for 19% of GDP (European Commission, 2012) and thus constitutes a substantial customer segment for the B2B sector. Public procurement can cover anything from long-term service contracts to one-off purchases of goods and services, and from bulk purchasing by large government organisations to buying at the local level. It generally impedes long-term relationships and fails to take into account either the user's desired value or its systemic and dynamic development. This will be equally valid in the case of multi-million rail maintenance

contracts, where the buyer might struggle to reformulate financial incentives and re-examine working practices, or of a small municipal entity being restricted to buying food for school meals direct from local farmers.

Relating to my own research, which has mainly been concerned with service-led growth in manufacturing firms – by means of service infusion or servitisation (Kowalkowski et al., 2012), solutions marketing (Nordin and Kowalkowski, 2010) and service innovation (Kindström and Kowalkowski, 2014; 2015) – another key concept is ‘internal marketing’ (Grönroos, 1978), which requires employees to deal with customers in a service-orientated way and to change the marketing model from reactive taking-of-orders to a proactive structuring of value creation through relational business engagements. It is an essential discipline if product manufacturers are to succeed with their service initiatives. Another highly relevant concept is the ‘part-time marketer’ (Gummesson, 1987; 1991), which is particularly relevant in business settings characterised by frequent interactions between customer and provider representatives, emphasising that marketing must not be the sole responsibility of the marketing department.

IDIOGRAPHIC AND ASSUMPTION-CHALLENGING PERSPECTIVES OF THE NORDIC SCHOOL

Two distinct research methodologies in the social sciences are the *nomothetic*, which seeks general laws, and the *idiographic*, which deals with structured patterns (Allport, 1962). The mainstream marketing paradigm is built on a nomothetic epistemological base with positivistic underpinnings and a hypothetico-deductive method, focusing on efforts to verify *a priori* hypotheses (Easton, 2010). This is in stark contrast to the Nordic School’s research tradition, which takes an idiographic approach to research and is often based on qualitative or process-orientated research, such as inductive or abductive case studies. Comparing leading management journals in Europe and the USA, Collin et al. (1996) found significant differences in research orientations, which should remain equally valid today:

“European research frequently represents the idiographic paradigm in that it is based on a process oriented case study approach that emphasises qualitative, multi-aspect and in-depth studies, often covering a longer period of time. The aim of idiographic researchers is to provide rich descriptions and/or to make theoretical generalisations. This is in contrast with the nomothetic approach that emphasises quantitative analysis of a few aspects across large samples in order to test hypotheses and make statistical generalisations. Such a view, in turn, corresponds well to the approach that dominates North American management research” (Bengtsson, Elg and Lind, 1997:474).

The long-prevailing nomothetic marketing paradigm is embodied in the research studies published in the top American marketing journals, which academic marketing communities worldwide regard as the most prestigious sources. (That said, many idiographically-inclined scholars regard the bulk of nomothetic work published as ‘uninteresting’ and thus seldom

read it, and vice-versa). When reviewing articles in those journals on topics of interest to Nordic School researchers, such as relationship dynamics (Bell, Auh and Smalley, 2005; Netzer, Lattin and Srinivasan, 2008), it becomes noticeable that the topics are generally approached from a nomothetic perspective.

Although case-study research is also published in top journals that focus on substantive issues in marketing and marketing management, such as the *Journal of Marketing*, it generally adheres to the dominant paradigm, which relies on the hypothetico-deductive method and focuses on B2C research. Hence, it is unsurprising that qualitative research in such publications often has to be justified and evaluated by criteria originating in quantitative, nomothetic, positivist research, such as internal and external validity, reliability, and objectivity, rather than those that are appropriate to humanistic inquiry, such as credibility, transferability, dependability, and confirmability (Hirschman, 1986). Seminal contributions to the American management research literature concerning case studies, such as the frequently-cited Eisenhardt (1989), generally have positivistic connotations. Eisenhardt is of the opinion that “while there is no ideal number of cases, a number between 4 and 10 cases will usually work out well”. As Easton (2010) points out, her justification is based on her experience with case study research and “is implicitly about increasing the number of cases as a way of finding the same results in each case” (p. 118). This can be compared with Normann’s (1976) views on case study research, theory development, and generalisation:

“If you have a good descriptive or analytic language by means of which you can really grasp the interaction between various parts of the system and the important characteristics of the system, the possibilities to generalise from very few cases, or even one single case, may be reasonably good. Such a generalisation may be of a particular character; it might be possible to generalise a statement of the type “a system of type A and a system of type B together comprise a mechanism which tends to function in a particular way.” On the other hand one cannot make any generalisations about how common these types of systems and interaction patterns are. But the possibilities to generalise from one single case are founded in the comprehensiveness of the measurements which makes it possible to reach a fundamental understanding of the structure, process and driving forces rather than a superficial establishment of correlation or cause-effect relationships.” (pp. 73-74; translated from Swedish).

The differences pointed out here have been portrayed as a ‘transatlantic gap’ between North American nomothetic research and European idiographic research in a study by Bengtsson et al. (1997). Although it is a simplification of reality (in that many European research groups conform rather successfully to the dominant research paradigm), I believe that this gap is, and has been, even wider in marketing research specifically, where the dominant paradigm exerts major influence on the leading academic publications. The gap is especially unfortunate since idiographic and nomothetic research have complementary roles in the process of advancing theory and developing new knowledge (Bengtsson et al., 1997). While the latter has the advantage of providing rigorous and statistically generalisable analysis of patterns across large samples for the purposes of explanation and prediction, the former offers the benefit of

managerially relevant, in-depth analysis of complex and context-specific organisational processes (Blair and Hunt, 1986).

Another difference between the Nordic School tradition and the mainstream marketing paradigm concerns the way in which research questions are generated and theoretical advances made. Researchers taking the nomothetic approach within this paradigm are generally concerned with incremental advances and gap-spotting, which tends to reinforce rather than challenge already influential theories (Alvesson and Sandberg, 2011). On the other hand, service marketing and management research in the Nordic tradition, both B2B and B2C, often focuses on assumption-challenging investigations by asking the ‘What if?’ questions. After all, the main characteristic of the Nordic School has been its questioning of the established way of thinking, and asking how rethinking might change the way we see marketing-related issues. It also addresses itself to the need to enhance the “pragmatic set of assumptions regarding solutions to specific marketing problems, viable actions and task performances” (Cornelissen, 2002:140) deployed by marketing practitioners.

There are similarities to the ‘problematisation’ methodology (Alvesson and Sandberg, 2011), in which the aim is “to come up with novel research questions through a *dialectical interrogation* of one’s own familiar position, other stances, and the domain in literature targeted for assumption-challenging”. A case in point is my own most recent article (Kowalkowski et al., 2015), which reports how problematisation questioned the validity of the ‘service transition’ concept. Regardless of the academic (sub)discipline concerned, the literature on service-led growth strategies assumes that manufacturing firms undertake a unidirectional, strategic transition from less advanced to more advanced services along a product-service continuum. We developed and evaluated two alternative assumptions, showing that the various service activities and strategies are more multifaceted than previous research has suggested. Firms need to balance their business-expansion and standardisation activities, and perform a number of system supplier roles concurrently, rather than switching serially from one role to another.

Such assumption challenging can be a key part of the process of developing new theory. As Alvesson and Sandberg (2011) argue, “the ultimate indicator of whether a problematisation [sic] is going to be successful is not so much rigour [sic] and empirical support as it is the experience of ‘this is interesting’.” (p. 259). Unfortunately, practising [sic] marketing managers ignore most of the research published in academic journals. The theories and concepts they contain are typically formulated “at such a high level of generality that they bear little resemblance to the everyday context in which managers operate and are not readily translated into operational form” (Cornelissen, 2002:136). For that reason, Nordic School researchers should not be tempted to abandon their concern about managerial relevance and their sometimes rather pragmatic approaches. Those sit well with the discovery-oriented, theories-in-use approach (Zaltman, LeMasters and Heffring, 1982), which blends the use of in-depth, qualitative research with the conventional knowledge contained in the literature. Encouragingly, it seems that the theories-in-use approach is being increasingly adopted by American strategic marketing researchers such as Challagalla, Murtha and Jaworski (2014).

By understanding a phenomenon from the perspective of the one who is experiencing it (both successful and unsuccessful marketing practices), theory development is fostered.

LOOKING AHEAD

Questioning the established way of thinking and investigating phenomena from new angles has facilitated novel conceptualisations and theory generation. While we need to continue to be inquisitive and take critical stances, if we are to make a wider-scale impact among marketing practitioners, the Nordic School research tradition should also embrace a diverse set of research methods, including new opportunities for innovative quantitative and mixed-method research to move theory forward. Researchers in Finland and Sweden, the home countries of the Nordic School, have traditionally been extremely fortunate in terms of information-gathering access to decision makers, from local managers to senior executives, in world-class companies across many industries. This has made in-depth case studies possible and delivered intriguing insights of both theoretical and managerial relevance. However, we must not take such access for granted; some of my senior colleagues perceive a shift, with the newer generation of executives being less accessible.

We should also take the opportunity to enrich the qualitative, idiographic research tradition with complementary approaches and methods, to develop new knowledge, test theory, and advance it further. In doing so, we may also be able to bridge the unfortunate (but inevitable?) gap between idiographic and nomothetic research, or at least narrow it. Anchored in an open-minded and inquisitive yet critical research tradition, studies conducted in the spirit of the Nordic School might be in a better position than mainstream marketing to take such steps, to benefit from complementary research approaches that use different methods and highlight different aspects of marketing research. Such pluralism could stimulate the research tradition without leading to the adoption of narrow versions of positivism, due to the hubris of ‘physics envy’ (Clegg and Ross-Smith, 2003; Tapp, 2007), or falling into the conventional pitfalls of narrow methodological issues and esoteric phenomena. In B2B marketing, studies would include: multi-level analysis, such as investigating individual buyers and sellers as well as purchasing and sales executives; different levels of aggregation of relationship interactions into actions, episodes and sequences (Holmlund, 2004); longitudinal performance data; and more empirical research on value-creating systems and system-level reconfiguration.

Furthermore, the digital landscape is changing our view of service management and relationship marketing. Interaction takes place to an ever-higher degree not only between human actors but also networked electronic hardware, as for example in the development of the world-wide web and the internet in the early 1990s and its proliferation thereafter. Today, B2B customers may never physically meet some of their service or product providers, but choose to engage with them digitally. At the industrial level, the internet has already had a disruptive effect on business markets, thanks to the sharply declining costs of sensors and data storage and processing, which permits the decoupling of machine software from hardware throughout the socio-technical industrial system, by means of ‘unbundling,

dematerialization, liquidity, and density’ (Normann, 2001). Self-aware, predictive and reactive machines, which communicate seamlessly with each other and with human actors, not only offer new opportunities for business marketing but will also have a major societal impact (Evans and Annunziata, 2012). Direct interaction increasingly takes place with and between non-human actors, something which has not previously been acknowledged by the Nordic School. Furthermore, advances in software capable of learning – what IBM calls ‘cognitive computing’ – could have a profound influence on future decision-making, including strategic and routine marketing decisions, and hence shape marketing practices. The role of technology in both marketing practice and research its impact on those operations will most likely open up new and exciting avenues for research in B2B marketing.

Despite general concerns that the marketing discipline has become less relevant in the business world, marketing theories taught at business schools influence the marketing practices of future managers (Ghoshal, 2005). Methodological pluralism would further increase potential marketing impact – that is, how theory influences the actual behaviour of managers – and enrich the dynamic and open research tradition of the Nordic School.

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VALUE CO-CREATION: CRITICAL REFLECTIONS

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Over the last few years, we have seen a tremendous rise in the use of value *co-creation* as a concept in academic marketing and service contexts. Value co-creation generally refers to the mechanisms of interplay and collaboration between service providers and customers, resulting in experienced value for the parties. In this paper, we reflect on the concept and the use as well as usefulness of the concept. Critical reflections imply revealing and discussing underlying assumptions as well as implications for researchers and for managerial practice. We believe a critical approach is warranted since value co-creation as a term in marketing has evolved over the last 10 years from non-existence to almost self-evidence. How is this possible and how will it affect marketing theory and practice? Although the use of a novel concept like value co-creation directs attention to the underlying phenomenon and makes it more visible, it does not mean that the phenomenon itself has emerged only recently. Co-creation as a phenomenon has existed, but it has not before been recognized and considered important to this extent. What, then, are the explanations for the recent interest in co-creation? These are issues that we discuss in this paper. We are concerned about the often unreflected use of the concept, leading to theoretical dysfunctions and practical confusion. We therefore suggest that value co-creation needs to be properly defined and used in an analytical manner.

INTRODUCTION - VALUE CO-CREATION AS A PHENOMENON

Value and customer value have always been at the core of marketing theory. There are numerous theories, conceptual frameworks, and models in the marketing literature that represent different approaches to depict value as a phenomenon. The multitude of approaches has sometimes caused frustration among researchers, leading to confusion and a lack of agreement among researchers about how value should be seen (see, for example, Fernandez-Sanchez and Iniesta-Bonillo, 2007). An alternative interpretation might be that the perceived confusion is not confusion at all but rather the result of researchers applying different sets of assumptions, often without explicating them. Traditionally, value has often been seen as created by the service provider, but a shift in thinking has taken place, introducing ideas that value is co-created by the service provider, customer, and other possible actors or as a further step created solely by customer.

In this paper, we specifically scrutinize the concept *value co-creation* as it has emerged recently and become widely used—and, as we will propose—often in an ambiguous manner. We argue that value co-creation as a concept, and how it has been used so far, represents a significant challenge for theory development and business practice. It is challenging because co-creation is used in diverse ways without explicit definitions. Drawing on three currently discussed “logics” of service (Service-dominant logic, Service logic, and Customer-dominant

logic), different approaches to value co-creation are, in this paper, revealed, as well as the implications following from these differences.

Service-dominant logic (SDL) proposes, according to Vargo and Lusch (2008), that “the customer is always a co-creator of value,” assuming that the service provider self-evidently is another co-creator. Furthermore, they suggest that it implies that value is interactional. *Service logic* (SL) (Grönroos 2006) argues, in contrast, that value is *not* always co-created. However, the view that value co-creation is based on interactions is recognized by SL. Value is co-created in some circumstances and in others not. *Customer-dominant logic* (CDL) (Heinonen et al. 2010, 2013) would agree with SL that value is *not* always co-created. Furthermore, CDL would further argue that value creation is *not* always based on interactions (Heinonen and Strandvik, 2015). Contrary to SDL, CDL maintains that separating providers from customers as actors is an important distinction.

The differences between the logics stem from how the concepts of co-creation and interaction are defined and used as well as the purpose of these theoretical concepts. In research and practice, these differences in how co-creation is viewed results in diverging suggestions of what should be paid attention to and what should be done.

By contrasting these three service perspectives, the aim with this paper is to reveal different implications based on assumptions and operationalizations of co-creation. Next, we will briefly summarize the current reviews and discussions about the value co-creation concept and contrast the term with how value was depicted in the service management literature before the co-creation notion emerged.

RESEARCH ON VALUE CO-CREATION

Co-creation has been debated in the literature, and some literature reviews have already been published (e.g. Grönroos, 2012; Saarijärvi, Kannan and Kuusela, 2013; Galvagno and Dalli, 2014; Ind and Coates, 2013; Carù and Cova, 2015; Jaakkola, Helkkula and Aarikka-Stenroos, 2015; Neghina et al., 2015). Characteristic of these reviews is that they demonstrate the multitude of approaches and goals that have been used to apply co-creation as a concept. Typically, value co-creation is seen as being based on joint collaboration in service interactions and defined as “joint collaborative activities by parties involved in direct interactions, aiming to contribute to the value that emerges for one or both parties” (Grönroos 2012, p. 1520).

Jaakkola, Helkkula and Aarikka-Stenroos (2015) reviewed the service (customer) experience literature for perspectives on co-creation and concluded that a multi-dimensional picture emerges. They proposed a framework that includes five dimensions: control, spatial, temporal, factual, and organization. This framework reveals that different fields of research tend to differ in emphasis. As a conclusion, they offer a definition of service experience co-creation and, in line with Grönroos’ commentary, in their paper posit that (experience) co-creation should not for analytical reasons be assumed to be a default feature of any experience, as proposed in SDL. Saarijärvi, Kannan and Kuusela (2013) have expressed

similar concerns from a managerial point of view. They stress that instead of only stating that value is co-created, firms would need to consider and reflect on business-oriented questions such as the kind of value co-created and for whom as well as resources and mechanisms used. Grönroos (2012) also strongly argues for reserving the concept of value co-creation for situations where the provider and customer are involved in joint collaborative activities. Caru and Cova (2015) stress the importance of understanding consumer collectives in terms of value co-creation, and, similarly, Ind and Coates (2013) propose that co-creation as a perspective should not be delimited to managerial concerns. Neghina et al. (2015) propose, based on SDL-thinking, that value co-creation should be defined as a complex joint collaborative activity between customers and employees. Value co-creation consists of six dimensions of joint actions: individualizing, relating, empowering, ethical, developmental, and concerted.

In earlier service management research, different concepts have been used to capture collaboration between service providers and customers, such as co-production, customer participation, or customer involvement (Ramirez, 1999; Kelley, Donnelly and Skinner, 1990; Bendapudi and Leone, 2003). In the academic marketing research, the focus has, over the decades, gradually shifted from the service provider to the customer. Although some might argue that marketing has, by definition, always been customer-oriented, the shift of this term can be seen in different shades of meaning.

Quality, value, and satisfaction are concepts that managers have learned to focus on in order to become customer-oriented. The early service literature introduced and centered on perceived service quality as a conceptualization to stress the importance of customers' perceptions and interpretations of the service provider's performance. The concept *perceived service quality* (PSQ) highlighted the importance of understanding not only what the service provider intends to do or actually does but rather how the individual customer perceives what is done. Similarly, *perceived service value* (PSV) represented the customer's perspective but additionally the fact that it is a question of a trade-off between perceived benefits and perceived sacrifice. Although a number of conceptual models of PSQ and PSV have emerged, a few generic dimensions stand out, represented by Grönroos' (1984) PSQ model and Heinonen's (2004) PSV model (which can be seen as an expansion of Grönroos' PSQ model). Four fundamental aspects—process, outcome, location, and place—have been considered both managerially relevant and significant for customers in the service business.

The early service literature recognized that customers influence the outcome, although it was not suggested that customers *co-create service*. When the co-creation concept was subsequently introduced, it represented a step further in stressing the role of the customer (e.g. Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2004). However, it seems unwarranted to dismiss the fact that the earlier service management literature had already struggled with the issue of the customer's role in service. The step from the early service management literature to the current service perspectives has also involved stressing more strongly the customer's context, which has led to a shift from mere customer perceptions to *customer experience* (Jaakkola, Helkkula and Aarikka-Stenroos, 2015). Customer experience, however, can also be understood in different ways, ranging from provider dominance to

customer dominance (Heinonen et al. 2010). One extreme is to consider customer experiences to be designed and constructed by the provider, while the other extreme argues that customer experience is fundamentally phenomenological—that is, customer-dependent. There are, however, also different views as to whether the customer should be considered as primarily shaped by collective, cultural forces influencing the individual or alternatively stressing the idiosyncratic, individualistic features of the experience. These ontological aspects influence how the customer experience is portrayed.

What emerges from this review of recent opinions on value co-creation is the need to look into the *roles* of parties participating in value (co-)creation and, furthermore, to distinguish between the different situations of (co-)creation of value. We have put co-creation in brackets, implying that it might be helpful to distinguish between value co-creation and value creation that is not collaborative. Furthermore, the term creation implies that value creation is deliberately designed and controlled rather than something that emerges, evolve, or arises. Consequently, in the discussion we will use role and control as elements to demonstrate how three service perspectives (SDL, SL, and CDL) can be positioned in relation to each other concerning value co-creation. Such an analysis contributes to enriching the understanding of how the ontological and fundamental assumptions of a service perspective results in implications for research and practice.

DIFFERENT LOGICS OF VALUE CO-CREATION

Demonstrated by the different current approaches (SDL, SL, CDL) of value co-creation in service settings, the fundamental assumptions employed by each approach influence how co-creation is portrayed. Each approach utilizes a characteristic lexicon, or set of central constructs, to depict its logic (see Vargo and Lusch, 2014; Grönroos and Gummerus, 2014; Heinonen and Strandvik, 2015).

Next, we reflect on co-creation and discuss the different views, ranging from the assertion that “value is always co-created” (SDL) to “value is created only in collaborative, interactive, and dialogical processes” (SL) to “value is co-created when it is driven by mutual intentions” (CDL). If value is not an axiom and considered as always co-created, there has to exist a definition of value co-creation that is not all-encompassing. We suggest that such definitions have been put forward explicitly and implicitly in the SL and CDL approaches, respectively. Furthermore, we argue that a more restrictive definition of co-creation gives it more analytical power in theorizing and practice. Different types of co-creation emerge with their own challenges and implications.

Service-dominant logic (SDL)

SDL is built on some explicitly stated fundamental beliefs and assumptions that direct and frame how marketing and service are approached. These foundational propositions have gradually evolved (Vargo and Lusch, 2008) and have later been condensed into currently four

axioms (Lusch and Vargo, 2014). Vargo and Lusch and followers of the SDL movement consider the concept of value co-creation to be one of these axioms. The proposition (Foundational Premise 6, Vargo and Lusch, 2008) “the customer is always a co-creator of value” implies, according to Vargo and Lusch (2008:7), that value creation is interactional. In their article, they clarify their position based on the discussion about the earlier formulation of the proposition by arguing that

Some seem to have interpreted FP6 as a normative statement. It is actually intended as a positive statement. Our argument is that value obtained in conjunction with market exchanges cannot be created unilaterally but always involves a unique combination of resources and an idiosyncratic determination of value (also see FP10) and thus the customer is always a co-creator of value. On the other hand, the involvement in “co-production” is optional and can vary from none at all to extensive co-production activities by the customer or user. (Vargo and Lusch, 2008:8)

Following SDL’s logic, the interest in value co-creation is explained in the following way:

Value creation happens in service systems. Axiomatically value is always co-created with customers through the activation of sets of resources. New service developments (innovation) stem from new improved ways to use existing resources to co-create value. Denoting the customer as the key resource integrator represents a new and radically changed status for customers. Customers are an important source in the NSD process. To understand and enhance these processes the service, the service system and the customer’s ability to acquire, integrate and use the available resources in a specific context need to be understood. Customer involvement in the NSD process becomes important as companies only can provide value propositions but it is the customer who integrates the resources. A high degree of customer involvement means a change from NSD for the customer, to NSD with the customer or even by the customer. (Edvardsson et al., 2014:346–347)

Service logic (SL)

As observed in the service logic (SL) literature, the notion that value is always co-created by firms and customers, and possibly other actors involved in a network, makes it impossible to identify, and managerially and behaviorally conceptualize, the roles of the actors in the process where value emerges or is formed. What are the actors really doing in this process, and what are their actions aiming at? Furthermore, is there a difference between the nature of the value the actors—for example, a firm and a customer—respectively create? And can the locus of value exist at different points in time, and does the nature of value differ depending on its locus? How does it differ?

The SL stream of research in service marketing, which has been more managerially oriented, proposes that a defining characteristic of service is the collaboration between, for example, a service provider and a customer that takes place during direct interactions between them in a service process. During these direct interactions, the customer’s consumption process and the

provider's service production process merge into one collaborative and dialogical process where value formation and the way value emerges may be jointly influenced by the actors. In the SL literature, this is labelled a platform of co-creation (Grönroos and Gummerus, 2014), where, from an analytical point of view, value co-creation may take place (provided that the actors manage to create a merged process of joint value creation).

In SL, the value creation and formation process is divided into three spheres: a provider sphere, a customer sphere, and a joint sphere (Grönroos and Gummerus, 2014). In the provider sphere, closed to the customer, the service provider contributes to value by compiling resources for the customer's use, which have the potential to develop into actualized value for the customer. This is not real value, but the provider facilitates value creation in later stages of the value formation process, and thus real value emerges later in this process. In the customer sphere, closed to the provider, the customer independently uses resources acquired from the service provider, perhaps together with other available resources. In this usage process, value is created, and real value emerges for the customer.

From a value co-creation perspective, the joint sphere is important. Here, the service provider's and customer's processes may merge into one process where the actors may influence each other's processes and consequently also influence the value formation process. A platform of co-creation is established. From a managerial and behavioral perspective, here and only here does real co-creation take place and may the co-creation of value occur. In conclusion, the customer, or any other user, creates value in the customer sphere, whereas the provider facilitates this process. On top of this, joint value creation may occur in the joint sphere, where the actors' processes during direct interactions may merge and a co-creation platform be established.

Customer-dominant logic (CDL)

CDL is not primarily concerned with services or service only. CDL is a way of thinking of marketing and business that emphasizes the customer in order to create a successful business (Heinonen and Strandvik, 2015). It is built on the following proposition (Heinonen et al., 2010; Heinonen and Strandvik, 2015): Without customers, there is no business, and without business, there is neither service nor service systems. In order to obtain customers, the service provider needs to create an offering (service) that customers will buy and pay for. The reasons why somebody becomes a customer or not are manifold, and for managers it is crucial to understand the reasons for being accepted or rejected by potential customers. Service providers need to consider that it is not a question of how they can involve customers but rather how customers involve them and what providers can do to become involved in a way that makes good business sense. Asking this question represents a radically new and changed status for the provider; instead of being centered on itself, its current resources, business models, mental models, and services (offerings), it is a question of becoming centered on the foundation of their business, their existence—customers. Success comes by being chosen by customers. However, whereas providers consider their service system focused on the service (process), for customers, a particular service and provider is only one

element in their customer ecosystem among “other providers, other customers (individuals or business actors), and other actors (such as communities), as well as installed physical and virtual structures related to the service” (Heinonen and Strandvik, 2015). Therefore, when providers acquire customers, they need to also recognize the existence of the customers’ ecosystem.

The CDL perspective on value creation can be described in the following way (Heinonen and Strandvik, 2015): Customers do not rely only on what the provider explicitly promises to do. Customers usually have experience and knowledge about the use of offerings beyond what the provider communicates, through information from other providers and peers as well as based on their own experience. This is a constantly dynamic situation, where success for the provider is based on actual value fulfilment, not value propositions. Value propositions (promises) are therefore not crucial for customers—performance is, as interpreted by the customer. The service provider’s performance in terms of the customer’s criteria will affect how value is formed in practice in the customer’s use of the offering.

Value co-creation represents a particular form of value formation for the customer. Value is formed in two separate but related processes, one for customers and one for providers. For customers, value creation happens in the customer’s life. For providers, value creation happens separately through the provider’s processes. These two processes are connected, but it does not necessarily mean value co-creation based on mutual intentions and awareness. The issue of value (co-)creation is related to the contrast between providers’ and customers’ logics (Heinonen, Strandvik and Voima, 2013; Heinonen and Strandvik, 2015). A serious challenge for providers is the recognition that their logic in terms of how value is created might differ from customers’ logic. Customers are all fundamentally dissimilar and unique, and they are driven by their own logic (Heinonen and Strandvik, 2015). The value experiences emerge based on the customer’s logic and contextual factors. Value is therefore not seen to be created but rather formed as a combination of deliberate and emergent elements in the process (Heinonen, Strandvik and Voima, 2013).

CDL defines co-creation as intentional task- and goal-oriented processes where customers, when striving for valuable experiences and outcomes, deliberately engage service providers. Co-creation does not only happen in interactions but also in terms of presence (Heinonen and Strandvik, 2015). Presence denotes being available. It shifts the focus from value formed by interactions to the value of offerings that customers experience as potentially for use (top of customer’s mind, easy and immediate access, trusted).

A TYPOLOGY OF VALUE (CO-)CREATION

The distinctive ontologies of the service logics presented in the earlier section result in differences in what is seen as value co-creation. One of the axioms of SDL is that value is always co-created. SL and CDL take a different stance and claim that value co-creation is a special case of value creation.

Next, we will describe how these divergent views are manifested in practice. If we recognize that co-creation is not always present, it could be argued that a minimum requirement for co-creation to exist is the intention to co-create and the awareness that co-creation is happening. Furthermore, it could be argued that both (all) parties should show intentions and awareness (Knoblich et al., 2011; Neghina et al., 2015). However, this does not yet imply that both (all) parties should have the same goals for the co-creation or work harmoniously together or benefit equally from the co-creation. Emphasizing intentions and awareness means implicitly that mere joint activities or interactions with actors unaware of the co-creation character of the activities is not co-creation. The reason for such a goal-directed minimum requirement is management interests. What is not observed and intended cannot be managed. Management includes taking initiatives and striving for control.

The different value creation situations are illustrated in Figure 1 by combining service provider and customer views. These four types of value creation are labelled as follows: A) intentional value co-creation, B) Provider-driven value creation, C) Customer-driven value creation, and D) Spontaneous value creation. The most clear-cut situation of co-creation is when it is driven by mutual intentions to co-create (situation A). This seems to be the situation where all three logics agree. The parties might still have different goals and may experience different outcomes of the co-creation.

If only one of the parties has intentions to co-create and is aware of co-creation activities (either C or B), it is questionable how this situation can be theoretically considered equivalent with situation A. Situation D represents situations where neither the provider nor the customer intend to co-create value, which is labelled spontaneous value creation. SL and CDL would suggest that categories B, C, and D are not value co-creation situations but rather value creation situations.

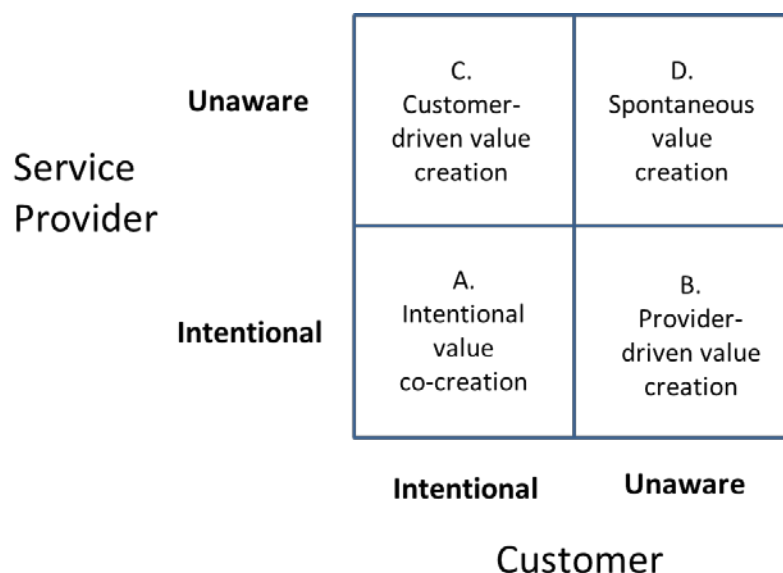


Figure 1. Different types of value creation

Following SDL's perspective, where all four categories would be considered co-creation, it is still quite obvious that they represent quite different situations. In fact, SL would consider A and some instances of B (see Grönroos and Gummerus, 2014) to be co-creation, while CDL looks at co-creation only as category A. Within category A there are, however, a number of different sub-situations based on, for example, Jaakkola et al.'s (2015) service experience dimensions or Neghina et al.'s joint action dimensions.

Another issue of significance is whether value co-creation is mainly seen as co-creating activities (Neghina et al., 2015) or co-creating experiences (Jaakkola et al., 2015). Linear thinking would assume direct correspondence—in other words, that customers' and providers' joint collaborative activities would lead to corresponding experiences. SL and CDL argue that this is not the case. Instead, value emerging from a customer or provider point of view in a specific case is characterized by the following: 1) Value represents a mental entity, a perception, an experience; 2) Not all experienced value is co-created. In the experience, there are always elements that are not co-created; and 3) not all of the experienced co-created value is based on co-created activities. Beside activities, there are always other elements forming the value experience, like thoughts, emotions, and memories.

The transition from using the concept of experienced service value instead of perceived service value only reflects a change from a provider perspective towards a customer perspective. The value-in-use notion does not mean that the focus should be on concrete actions, as use need to be considered in its widest sense. Furthermore, direct interactions represent only a part of the value creation context.

DISCUSSION AND IMPLICATIONS

Why do some researchers so confidently pursue the claim that value is always, under all circumstances, co-created, even to the extent where it is labelled an axiom? As we know from the literature on metaphors and their use, metaphors—as in “he is a lion in battle”—are figures of speech which can be used to help readers or listeners to see things in a new way. The “lion in battle” metaphor does not literally mean that he is a lion, but it highlights his fighting qualities. On an abstract level, a metaphor serves its purpose well. However, on a concrete level, it leaves the interpreter without means of analyzing the phenomenon pointed out by the metaphor. Metaphors cannot be used to make predictions. This is why the “value is always co-created” metaphor fails to help researchers and managers understand what to do with this insight.

Of course, the notion that value is always co-created is important and useful for the understanding of service on a systemic level. It opens our eyes to the fact that value for a user is not created or produced by one actor and embedded in a product or any other resource and manifested in the price paid for it. It demonstrates that many actions by many actors may contribute to this value. However, what to do then? On a systemic level, it can perhaps be characterized as something resembling an “axiom.” However, going beyond that only creates confusion. We have to step down to a concrete managerial level.

On a concrete level, required for managerial and behavioral understanding and actions, the value creation and formation process and its different parts must be conceptualized for analytical purpose.

In conclusion, on a systemic level, value can be considered always co-created, because this opens the reader's eyes to the fact that several actors are involved in the value formation process. However, once this has been established, we cannot remain on that level; research must go further to become useful. On a managerial and behavioral level, a much more fine-tuned conceptualization is needed, such that concrete analysis of the various parts of the value formation process and behavioral predictions can be conducted. As suggested by SL, in order to achieve this clarity and managerial usefulness, co-creation is used as a concept to describe only real collaborative, interactive, and dialogical processes, where the actors' processes merge into one process of mutual influence. CDL would essentially agree by stating that co-creation requires mutually intentional goal- and task-oriented activities. Everything else is something else.

Managerial issues and challenges concerning value co-creation

Academic scholars may focus on theoretical definitions, but practitioners need to work on the operationalization of general principles—representing a challenge of its own. We believe that we, through this paper, contribute to a deeper understanding of co-creation as a concept in service and marketing by creating an analytical framework to reveal the nature and different types of co-creation.

Since any concept or model in science is a map—a perspective—it is important to understand what the map reveals of the terrain and how it at the same time constructs the terrain. It would, however, be a mistake to consider the map to be the terrain or that there is only one kind of map. However, some maps may be more useful for certain tasks. What co-creation maps are useful for service practitioners?

Perspectives are important. They direct what is seen and done. Framed in a provider-dominant way, co-creation becomes a managerial instrument controlled by the service provider. Innovations, service design, and operations, as well as performance monitoring, become colored by the belief that co-creation with customers is largely managed by the company. With this understanding of co-creation, companies would uncritically engage in activities that they believe according to their logic to be beneficial collaboration with customers. The way (joint) activities transform into value experiences is, however, largely beyond the control of the company. Co-creation tends, based on the current literature, to be seen as positive, non-problematic, and profitable rather than challenging and risky. In contrast, co-creation could be seen as a constant “mystery” for management that needs to be solved. Companies would benefit from first understanding their customers better than their competitors do regarding how customers choose to involve service providers, and second, from designing an appropriate service to fit customers' activities and experiences.

The managerial usefulness of the concept of co-creation lies in the contrast between thinking and acting guided by this concept compared to current practices. When adopting value co-creation as a managerial lens, there are important issues to be addressed: What should be co-created, how, when, where, who are involved, and what are the results? In practice, this means that analytical tools need to be developed and used, including clear definitions of co-creation, conceptual categories, and methods to observe and measure co-creation. One starting point could be our framework depicting different configurations of actors' intentions and awareness, as these represent different value creation situations (Figure 1). Furthermore, companies would need to address questions related to specific aspects of co-creation—as exemplified in Table 1—revealing the elements, dimensions, categories, processes, and different outcomes within co-creation. What are the gains and risks of co-creation? How do different contexts influence co-creation? Is co-creation fundamentally different for different offerings and different types of customers?

Table 1. Implications for co-creation when applying service logic and customer dominant logic

Theoretical perspective	Implications
Service-dominant logic • Service system at the core	• Value is always co-created
Service logic • Interaction at the core • Dialogical process • Joint influence	• Is there a platform of co-creation consisting of direct interactions? • Does the customer invite the provider to co-create? • Is the provider willing and prepared to co-create?
Customer-dominant logic • Customer logic at the core • Customer intentions and tasks • Value formed in customers' context	• Who takes the initiative to start co-creation? • Who takes the initiative to stop/continue co-creation? • Who dominates the co-creation process? • What is the power structure in the co-creation process? • Is co-creation voluntary or forced? • Is co-creation simple or complex? • What is the outcome of co-creation: successful or unsuccessful? • What is the scope of co-creation: narrow or broad? • What are the parties' roles in co-creation? • What different forms/types of co-creation exist? • Are both parties aware of the co-creation? Is co-creation intentional?

The view expressed in the Service-dominant logic stream of research that co-creation is axiomatically present does not give managerial implications and is not intended to. We have, in this paper, argued for a need to take co-creation seriously from a managerial point of view. In other words, what co-creation is or is not should be based on understanding the providers' and the customers' roles in service in relation to each other, based on their intentions and awareness of collaborative actions.

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THE SERVICE REVOLUTION AND ITS MARKETING IMPLICATIONS: SERVICE LOGIC VERSUS SERVICE-DOMINANT LOGIC

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ABSTRACT

Purpose – This conceptual article analyses the implications generated by a service perspective.

Design/methodology/approach – A conceptual analysis of two approaches to understanding service perspectives, service logic (SL) and service-dominant logic (SDL), reveals direct and indirect marketing implications.

Findings – The SDL is based on a metaphorical view of co-creation and value co-creation, in which the firm, customers, and other actors participate in the process that leads to value for customers. The approach is firm-driven; the service provider drives value creation. The managerial implications are not service perspective-based, and co-creation may be imprisoned by its metaphor. In contrast, SL takes an analytical approach, with co-creation concepts that can significantly reinvent marketing from a service perspective. Value gets created in customer processes, and value creation is customer-driven. Ten managerial SL principles derived from these analysis offer theoretical and practical conclusions with the potential to reinvent marketing.

Research limitations/implications – The SDL can direct researchers' and managers' views toward complex value-generation processes. The SL can analyse this process on a managerial level, to derive customer-centric, service perspective-based opportunities to reinvent marketing.

Practical implications – The analysis and principles help marketing break free from offering only value propositions and become an organization-wide responsibility. Firms must organize service-influenced marketing and create a customer focus among all employees, beyond conventional marketing.

Originality/value – A service perspective on business has key managerial implications and enables researchers and managers to find new, customer-centric, service-influenced marketing approaches.

Keywords — service logic, service-dominant logic, reinventing marketing, value creation, value co-creation, customer centricity, beyond offering value propositions

Paper type — Conceptual article

INTRODUCTION

The service perspective advocated by a ‘service logic’ has two major implications for marketing: First, in some circumstances, service providers have an opportunity to engage with their customers and co-create value with them. Second, as a consequence of this first implication, the service provider is not restricted to offering value propositions only but also can directly and actively influence customers’ value fulfilment in some situations. These implications are ‘revolutionary’, in that they have the potential to transform marketing from merely a function to an organization-wide attitude. Furthermore, they extend the realm of marketing from making promises and creating brand awareness to encompassing the total process of customer management. Customers are present across a variety of functions, beyond a specialist marketing function, so a total process approach could represent a substantial benefit in terms of getting, keeping and growing customers—that is, marketing. Both these implications arise from the service logic research stream (Grönroos, 2011; Grönroos and Ravald, 2011; Grönroos and Voima, 2013), yet they conflict with suggestions derived from another main service perspective, namely, the service-dominant logic (Vargo and Lusch, 2004, 2008a). We seek to clarify some similarities and differences between the ‘service logic’ (SL) and ‘service-dominant logic’ (SDL) and demonstrate for managers that, on a managerial level, the foundational premises of the SDL reflect a goods-oriented understanding of business.

Specifically, the purpose of this article is to discuss the service perspective on marketing and business critically and determine which implications for marketing follow from it. The approach we adopt, the service logic (SL) approach, is managerial in its emphasis and seeks to make the service perspective more useful for managers. It differs from that of the SDL, which instead tends to be geared toward describing the service perspective on an aggregate, societally oriented level.

Since the 1970s, research into service marketing has demonstrated that a service context enables firms to approach customers in fundamentally different ways, compared with conventional marketing models that reflect a goods logic and stem from a manufacturing context. This distinction is especially evident in the French school of service marketing research, with its *servuction* model (e.g., Eiglier and Langeard, 1976; Langeard and Eiglier, 1987), as well as within the Nordic School and its concepts of *interactive marketing*, *functional quality*, *part-time marketer* and *interaction quality* (e.g., Grönroos, 1978, 1984; Gummesson, 1979, 1987, 1991; Lehtinen, 1983). It also can be traced back to the *7P model* (Booms and Bitner, 1982) the *servicescape* model (Bitner, 1992) and the *SERVQUAL* instrument (Berry and Parasuraman, 1991; Parasuraman et al., 1985), all emerging from the North American research tradition. We thus acknowledge that the service logic offers unique insights that can be useful for all marketers.

From our analysis, we derive ten managerial service logic principles that summarise our service-based perspective on marketing and business. We start by discussing some similarities and differences between SL and SDL, followed by a discussion of how each tradition treats value creation. In turn we take an analytical approach to value creation and co-

creation and discuss the critical role of interaction for understanding the implications of the service perspective. After we note the role of value propositions, we detail some service logic–influenced marketing implications.

We summarise our ten managerial service logic principles related to value creation and marketing in Table 1, but to establish the background for each principle, we first discuss the similarities and differences across the service logic and service-dominant logic.

Table 1. Ten managerial principles based on a service logic (SL) for marketing

1. In a value generation sphere closed to the service provider, customer, or any users, create value in the form of value-in-use, emerging out of or being created from integrating new resources with existing resources and applying previously held knowledge and skills.
2. Value evolves in a cumulative process or is sometimes destroyed, throughout the customer's value-creating process.
3. Value is uniquely, experientially and contextually perceived and determined by customers.
4. Firms as service providers are fundamentally value facilitators in a value generation sphere closed to the customers, such that they develop and provide potential value-in-use for customers and other users.
5. If a platform of co-creation exists or can be established through direct interactions among actors in the value generation process, the service provider can engage with customers' value creation, and opportunities for co-creation of value among actors arise.
6. Between the customers and individuals in their ecosystem, social value co-creational activities that influence independent value creation process may take place.
7. Service is the use of resources in a way that supports customers' everyday practices – physical, mental, virtual, possessive – and thereby facilitates their value creation.
8. The goal of marketing is to engage the service provider with customers' processes to enable reciprocal value creation among the actors, with service as a facilitator.
9. As service providers, firms are not restricted to making promises through value propositions.
10. In direct interactions, using a platform of co-creation, firms as service providers have an opportunity to engage with customers' value creation; through interactive marketing, they can directly and actively influence value fulfilment and thereby keep promises made, as well as contribute to the establishment and maintenance of customer relationship.

These principles are adapted and expanded from Grönroos and Ravald (2011); Grönroos (2011) and Grönroos and Voima (2013).

In order to help the reader we have compiled a *service logic lexicon* in Table 2.

Table 2. Service logic (SL) lexicon: Key phenomena defined and described

Service: In service logic (SL), service is a multifaceted phenomenon: <i>Service</i> is support for an individual's or organization's everyday processes in a way that facilitates (or contributes to) this individual's or organization's value creation. <i>User service logic:</i> Users (e.g., customers) integrate resources acquired from a provider with other necessary resources in their possession and apply knowledge and skills held by them in a process that renders value ("use resources as service"). <i>Provider service logic:</i> As service providers, through all their actions and interactions with users (e.g., customers), firms strive to support users' everyday processes in a way that facilitates (or contributes to) users' value creation.
Value generation process: Value generation is a process that includes actions by several actors—service provider, customer, and others—and that ultimately leads to value for the customer.
Value spheres: The value generation process comprises three value spheres: a <i>provider sphere</i> that is closed to customers, where the service provider compiles resources, including potential value-in-use, to be offered to customers to facilitate their value creation; a <i>joint sphere</i> in which the service provider and customers interact directly, which enables the provider to engage with customers' value creation and co-create value with them; and a <i>customer sphere</i>, which is closed to the service provider and where the customers independently create value and may socially co-create value with actors in their ecosystem.
Value/Value-in-use: Value is defined as <i>value-in-use</i>. For the sake of logical consistency, no other value concept is used. Value-in-use is the value for customers, created by them during their usage of resources. Value is both <i>created</i> and <i>determined</i> by the customers.
Potential value-in- use: Potential value-in-use is the potential value for customers embedded in the resources offered by a service provider. Potential value-in-use is realized as real value (i.e., as value-in-use) <i>for the customer during usage</i>. As a <i>customer-centric</i> concept, based on utility theory, potential value-in-use is used in service logic
Value-in-exchange: Value-in-exchange is the potential value embedded in resources provided by a firm, which, <i>through sales, is realized as real value for the firm</i>. Value-in-exchange is a <i>firm-centric</i> concept, based on labour theory, so it is not used in service logic.
Value creation: Value creation is the customer's process of extracting value from the usage of resources. Value creation is <i>the customer's creation of value-in-use</i>. Despite using the expression "value

creation,” value is not always instrumentally created; it may emerge as value-in-use.

Co-creation:

Co-creation is the process of creating something together in a process of direct interactions between two or more actors, where the actors’ processes *merge into one collaborative, dialogical process*.

Co-creation platform:

A co-creation platform is formed when two or more actors’ processes—such as a service provider’s and a customer’s processes—merge into one collaborative, dialogical process, in which the actors *actively influence each other’s processes and outcomes*. A co-creation platform entails only direct interactions.

Direct and indirect interactions:

Interactions are divided into direct and indirect interactions. *Direct interactions* are joint processes where two or more actors’ actions merge into one collaborative, dialogical process. The actors can be human actors or intelligent systems and products. Direct interactions take place in the joint sphere. *Indirect interactions* are interactions where one actor, such as a customer, interacts with a standardized system or product. No merged collaborative, dialogical process occurs, and therefore, the other actor, such as a provider of such resources, cannot actively influence customers’ value creation. Instead, it interacts indirectly with the customer. Indirect interactions take place in the customer sphere.

Value co-creation:

Value co-creation is a joint process that takes place on a co-creation platform involving, for example, a service provider and a customer, where *the service provider’s service (production) process and the customer’s consumption and value creation process merge into one process of direct interactions*. In this merged process, the service provider may engage with the customer’s value creation and, through joint co-creational actions, influence the customer’s creation of value-in-use. On the co-creation platform, the customer can also take on a role as a service provider and co-create value with the provider.

Independent value creation:

Independent value creation is the customer’s process of creating value-in-use out of resources in the customer’s sphere, which is closed to the service provider. During this process, the service provider cannot actively influence value creation.

Social value co-creation:

Interactions in the customer sphere between the customer and actors in his or her ecosystem, where such actors, but not the service provider, can influence the customer’s value creation.

Value facilitation:

The way a service provider contributes to the customer’s value creation by offering resources representing potential value-in-use.

Value promise:

A *promise* made to customers about value-in-use, which they should be able to realize in their value-creating processes in the future. Value promise fits situations in which value as value-in-use is not delivered but created in co-creational and customer-independent value creation

processes.

Promise management:

An approach to marketing, in which marketing is a process of making promises, keeping promises, and enabling the making and keeping of promises.

Marketing:

To make the firm relevant for its customers and other stakeholders. The goal is to engage the firm with its customers' processes, with the aim of supporting value creation in those processes, in a mutually beneficial way.

SERVICE LOGIC VS. SERVICE-DOMINANT LOGIC: SIMILARITIES AND DIFFERENCES

The fundamental purpose of both the SL and the SDL is the same: to acknowledge the importance of service and the interface between service providers and customers. Service researchers have long discussed the importance of marketing interactions and the need to understand the role of marketing strategically, not just as a function (Grönroos, 1978). In developing the SDL, Vargo and Lusch (2004; see also Vargo and Morgan, 2005) compile service research since the 1970s and combine it with a view of service reciprocity in the marketplace, presented by the French, nineteenth century economist Frédéric Bastiat, into a system of foundational propositions or premises. With the introduction of the SDL, Vargo and Lusch have contributed significantly to marketing, not least by sparking increasing interest among the international academic community in service as more than just a category of products but rather, as specified by Edvardsson et al. (2005), as a perspective on business and marketing. Prior research by the French, Nordic and North American schools had not managed to achieve this view.

In addition, on many fundamental points SL and SDL feature agreement. In particular, the SL concurs that 'service is a simple, yet powerful and multifaceted construct and that it is the correct designation, not only to characterise emerging and converging marketing thought, but also to accurately inform and motivate the associated research, practice and public policy' (Vargo and Lusch, 2008b: 36). That is, the meaning of 'service' is essentially the same in both SL and SDL, even if the definitions vary slightly. Both SL and SDL take as their starting point that customers (or any users or beneficiaries of service) employ resources in personalised physical, mental or virtual practices, as services that render value for them (Gummesson, 1995), and integrate acquired resources with existing resources while applying knowledge and skills they already hold. Thus categories such as goods, service activities and information are not of interest but rather have meaning only in terms of the service they provide users. In SL, this customer perspective is called the *user (or customer) service logic*. Thus service in the SL supports and facilitates users' everyday practices (physical, mental, virtual, possessive), in a way that contributes to value creation. Then service provision, in terms of supporting and facilitating customers' practices, is the *provider service logic*. The reciprocity of service in a firm–customer dyad means that both the firm and the customer can

take the role of service provider (Grönroos, 2012). In the SDL, service entails the application of specialised knowledge and skills (competencies) through deeds, performances and processes, for the benefit of the user and the provider (Vargo and Lusch, 2008a). Both definitions imply the same thing ultimately: In the SL, the way resources get used (as explicated in the SDL by the application of specialised knowledge) is implicit, whereas the intended effect (for the benefit for someone in the SDL) supports users' everyday practices in a way that contributes to value creation (Grönroos, 2011).

The basic view that all resources can be used as services also points to two more similarities shared by SL and SDL. Usage or consumption involves resource integration, and goods or any other type of resources constitute means to realise service. They are resources—or, according to the 'becoming' ontology (Zimmermann, 1951), they become resources through interactions among the provider, user and context, which are required to support users' (e.g., customers') everyday practices. Both the French and Nordic schools recognise the importance of actor-to-actor interactions for service (Eiglier and Langeard, 1976; Grönroos, 1978; Gummesson, 1979), and both the SL (e.g., Grönroos, 2011) and SDL (Vargo and Lusch, 2011) build on this observation. Finally, both SL and SDL use a customer-oriented and relational service perspective.

However, the SL also challenges certain key implications of the SDL's foundational premises, which seem debatable and reflective of some possible logical fallacies, at least from a management perspective. First, in the SDL, service is the basis of all business, in line with the service reciprocity view of Bastiat (1848). This position is restrictive according to the SL, because value creation for all parties (for the provider, often called value capture) is more fundamental than service. In addition to service, factors such as price, long-term costs and other sacrifices influence value creation, so for the SL, value creation represents the basis of business, for which *service is a facilitator* (Grönroos and Ravald, 2011). However, even if value creation is a means of achieving further goals in life and society, it remains only a proxy for the ultimate basis of business.

Second, the SL does not agree with the claim, prominent in the SDL, that the user and service provider are always co-creators of value, nor with the notion that the firm as a service provider can influence customers' value creation by allowing customers to join the firm's processes as value co-creators (Vargo and Lusch, 2004, 2008a). This position appears influenced by a goods logic. Because these two issues, more than any other foundational premises in SDL, are integral marketing implications of the service perspective, they have critical importance for developing a logical, managerially useful perspective on business and marketing that is based on service. We address these two issues next.

In Table 3, similarities and differences between SL and SDL are summarised. In the following sections, the differences will be discussed and managerial conclusions will be drawn.

Table 3. Service logic (SL) versus service-dominant logic (SDL): Similarities and differences**Similarities**

Objective	A perspective on value creation for business and marketing
Meaning of service	Application of knowledge and skills to resources to support someone's value creation
Resources used	The resources used by a provider (goods, service activities, information, or any other type of tangible or intangible resources) are not important for the implementation of a service perspective

Differences

	SL	SDL
Level of perspective	Managerial; defined concepts	Abstract; metaphorical
Goal of the service perspective	Value creation, where service functions as a facilitator; through service, the user's value creation gets facilitated, which enables the provider to capture value by providing service	Service is exchanged for service
Value	Defined as value-in-use	Value used with different meanings in different contexts
Value generation process	A process including all actions by all actors involved, which ultimately leads to value for a user (as exemplified by the customer)	Not explicitly discussed; implicitly, an all-encompassing value creation process including all actors (e.g., provider, customer, others) involved
Locus of value creation	Customer's creation of value-in-use	Not explicitly defined; implicitly, an all-encompassing process including actions by providers, customers, and other actors
The nature of value as value-in-use	Evolving as value-in-use in a cumulative process, with favourable and unfavourable phases throughout the customer's value creation	
Value in use: Contextual influence	The qualifying dimension of a utility-based value concept evolving during use; when social, physical, mental, or other contextual factors are altered, the level of value-in-use changes	Sometimes replaced by the expression value-in-context, which disguises the qualifying aspect of value-in-use as being created during the many forms of use
Value spheres	Three, distinctly different value spheres: a provider sphere closed to the customer, a customer sphere closed to the provider, and a joint	Not explicitly included; implicitly, one value sphere for an all-encompassing value creation process, in which all

	sphere where customers and providers directly interact and may co-create value	actors involved co-create value
Interaction	Explicitly defined with a clear, conceptual distinction between direct and indirect interactions; direct interactions with intelligent resources (people, intelligent systems) enable co-creation; indirect interaction with non-intelligent resources (most products and systems) do not	Not explicitly defined, only implicitly addressed through foundational premises
Co-creation	A joint directly interactive process in which the actors' (e.g., provider's and customer's) processes merge into one collaborative, dialogical process, such that a co-creation platform forms	Actions taken by all actors involved in a process (e.g., providers, customers), regardless of how they relate to each other
Value co-creation	Actions taken by the actors on a co-creation platform, where the actors may directly and actively influence each other's processes (e.g., supplier service process and customer consumption and value creation processes)	Actions contributing to value for customers during an all-encompassing value creation process by all actors involved (e.g., providers, customers, others), regardless of how they relate to one another or the process
Driver of value creation	The customer drives value creation and is in charge of it	The provider drives value creation and is in charge of it
Division of roles in value co-creation	The provider may engage with the customer's value creation and co-create value with the customer	The customer may engage with the provider's process and co-create value with the provider
Value creation: Customer's role	The customer both creates and determines value (as value-in-use)	The customer only determines value (as value-in-use)
Value creation: Provider's role	The provider compiles resources embedded with potential value-in-use through which the customer's value creation is facilitated	The provider co-creates value
Value co-creation: Customer ecosystem's role	During interactions with persons in the social ecosystem, the customer may socially co-create value with them	Abstract; not explicitly discussed
Marketing: Making promises through value propositions	The provider can go beyond making promises by offering value propositions and undertake direct, interactive actions on a co-creation platform to actively and directly influence the customer's value	The provider can only offer value propositions

	creation and value fulfilment	
Marketing: Keeping promises	By co-creating value with its customers, the provider may extend the keeping of promises beyond product performance; from passive to active promise keeping	Not explicitly discussed
Reinventing marketing	Marketing extends beyond the a single-function, one-department process of making promises and creating brand awareness; it may become an organization-wide promise management process	Not explicitly discussed

VALUE CREATION AND CO-CREATION: METAPHOR STRENGTHS AND WEAKNESSES

According to one of the four key foundational premises of SDL, the customer is always a co-creator of value. In addition, the firm is a value co-creator, such that customers become co-creators of value with the service provider (Vargo and Lusch, 2008a). The SL provides some criticisms of these claims (Grönroos & Ravald, 2011; Grönroos and Voima, 2013). In particular, SDL makes value creation an all-encompassing, unspecified process, such that parties involved in an equally unspecified way contribute to a process that ultimately leads to value for the customer. This broadened scope for value creation includes almost everything that has some impact on outcomes (Vargo, 2008). Moreover, because customers take part in this process with the service provider, the firm remains the actor in charge of value creation and thus its driver. Neither value co-creation nor value creation get defined, and the term ‘value’ appears with various meanings (cf. Macdonald et al., 2011). Value-in-use, which is value emerging for or created by the customer during usage, is a key value concept, used to refer to value determined by customers. When the firm creates or co-creates value, another concept is implicit, though not defined. Yet in some contexts, value-in-exchange gets used to refer to the firm’s value contribution in the process (Vargo et al., 2008).

In a theoretical or conceptual model, the same phenomenon—in this case, value—cannot be used in multiple ways. So why does value, a central concept, receive such a treatment in SDL? We posit that the SDL actually treats co-creation and value creation in a *metaphorical* manner. A metaphor is ‘a figure of speech in which a word or a phrase is applied to an object or action that it does not literally denote in order to imply resemblance’ (Collins English Dictionary, 1999: 928). For example, in the phrase, ‘that person is a lion in battle’, the person is not literally a lion; instead, it implies that when fighting, the person is as brave and aggressive as a lion is considered to be.

In an organizational and management context, Morgan (1986: 12, *italics in original*) argues that metaphors can create perspectives on organizational issues by implying ‘a way of thinking and a way of seeing’ (see also Morgan, 1980). Metaphors provide new insights into

the reality of what is being studied (Conrnelissen, 2004) and enable a group of people (e.g., academics interested in service) to create a collective representation of a field of interest (Heracleous and Jacobs, 2008). That is, metaphors can stimulate thinking and help researchers understand and approach a phenomenon in a new way; however, they cannot be used to predict how a phenomenon will function in general. The problem arises when the metaphor gets mixed with the reality about which it is intended to provoke new thinking and seeing. Furthermore, the phenomenon being studied must not become ‘imprisoned by its metaphors’ (Morgan, 1986: 605), though in our view, this is exactly what has happened with co-creation.

Interpreting the SDL description of the process that ultimately leads to value for the customer—that is, the *value generation process*—as a process in which all actors co-create value makes it logically understandable as a metaphor, though not as an analytical conceptualisation. All parties (e.g., service providers, customers, other actors) involved in a value generation process contribute to customers’ value-in-use. Using ‘co-creation’ as a metaphor opens our minds to the notion that the value the customer obtains, as an actor in the process, depends on the actions taken by all other actors as well, because they influence the process. To ‘co-create value’ is an metaphorical expression, in the same way as ‘a lion in battle’ is. Neither expression means that the words used in the corresponding metaphors are conceptually or empirically defined concepts. Nor should they be interpreted and used as literal, defined concepts. The word ‘lion’ does not equal the concept ‘lion’; it only implies that the person fighting has qualities that are somehow similar to those of a lion. By the same token, the metaphor ‘co-create’ is not equivalent to the concept ‘co-create’, which conceptually defined means that actors interactively create something together. Instead, the metaphor signals that in the value generation process, two or more actors participate and influence the value for the customer that results from the process. The metaphor also signals that the customer tends to be a forgotten factor that should not be excluded from the process as a value-influencing actor, though most discussions that adopt the SDL imply that the firm remains in charge and drives value creation. Thus on a metaphorical level, the SDL’s foundational premise makes sense and helps draw attention to the insufficiency of conventional approaches to understanding value creation and the value generation process, such as the value chain. Thus a view that builds on the *value constellation* approach proposed by Normann and Ramírez (1993) in management literature emerges. In this respect, SDL powerfully signals researchers and practitioners that the total value generation process and the creation of value for customers needs to be rethought. However, when the metaphor mixes with the reality it describes, such that terms used metaphorically are confused with defined concepts, problems occur.

Furthermore, the SDL with its value co-creation metaphor does not say anything about the nature and locus of value, nor does it imply anything about the roles of the actors involved in the process, or what part they play in ‘co-creating’ value (Grönroos and Voima, 2013). How could it though? The metaphor is an expression, consisting of words, not an analytical statement based on defined concepts. In SDL articles, value-in-use often appears as a central value concept, but it relates to how customers determine value, not how they create value or

to the value-influencing outputs of other actors. This interpretation is evident for example in Macdonald et al.'s (2011:671), definition of value-in-use 'as a customer's outcome, purpose or objective that is achieved through service'. Value-in-use is influenced by a goods logic. Thus challenges—such as one that asserts '(the) exploration of value co-creation raises as many questions as it answers. For example, what exactly are the processes involved in value creation?' (Vargo et al., 2008: 151)—have gone more or less unanswered. Researchers who have attempted to study value co-creation based on SDL find it complicated or simply replace 'value creation' and 'consumers create value' with 'value co-creation' and 'customers co-create value', then continue to study value creation and customers' creation of value, using new words but not new concepts (e.g., McColl-Kennedy et al., 2012). Other authors instead replace the word 'interaction' with value co-creation (e.g., Xia and Suri, 2014).

VALUE CREATION AND CO-CREATION: AN ANALYTICAL APPROACH

To study activities across the total value generation process, the roles of value co-creation and value creation and the roles of the various actors involved in the process, we need analytical concepts for key variables, such as *value* and *co-creation*. Value-in-use has gained widespread acceptance as an accurate value concept, and SL defines value as *value-in-use*. Because only one well-defined value concept may appear in a theoretical or conceptual framework, the only value concept used thus is value-in-use. In turn, value-in-use is not just determined but also created by the user. If value-in-use is created by the user for the user, and its level also is determined by the user, value creation logically is the creation of value-in-use, and the only creator of value-in-use is the user. That is, the customer as a user is the value creator, as well as the driver of the value creation process.

Before continuing our analysis, we offer five notes on value and value creation. First, both SDL and SL use the expression 'value creation', even though value is not always, and perhaps is even infrequently, instrumentally created. Value can just emerge from a resource integration process; as suggested by the customer-dominant logic (Heinonen et al., 2013), such emergence even could be the normal case. In the SL and for this article, the expression 'value creation' refers to this phenomenon, without any assumptions about whether value-in-use emerges or is instrumentally created. Second, use—not context, experience or interaction—is the key qualifier of the value-in-use notion, so SL adopts the term value-in-use, without disguising this key qualifier. Naturally, value-in-use depends on, for example, the social and physical context in which usage takes place (Edvardsson et al., 2011). If the context changes, so should the level of value-in-use (e.g., Gummerus and Pihlström, 2011). Third, value-in-use does not exist at a singular point in time, as value-in-exchange does, but rather evolves over time in a cumulative process during usage. This cumulative process may include destructive phases, in which value accumulation takes negative turns (cf. Echeverri and Skålén, 2011). Then value can be both positively created and destroyed. Fourth, use can take many forms, not just as a matter of physical use. For example, mental use occurs when a person dreams about a holiday trip in the near future or remembers the trip while looking at pictures afterward. Use also might be mere possession, such as when a person feels content

knowing he or she owns a luxury car or a famous painting. Fifth, value for the customer and value for the firm are two sides of the same coin (Gupta and Lehman, 2005), so firms and customers reciprocally influence each other's value creation (Grönroos and Helle, 2010). Not only does the firm function as a service provider, but the customer may provide the firm with actionable information about how to develop its resource base and systems, in which case the customer functions as service provider, with the firm as a user and value creator.

If the customer, or any user, is the creator of value defined as value-in-use, what is the role of the service provider in the value generation process? It cannot be that of a value creator. In the SL, by preparing skills, knowledge and other necessary resources, then applying this knowledge to the resources used, the service provider presents *potential value-in-use* to the user and thus is a facilitator of value-in-use (Grönroos, 2011; Grönroos and Ravald, 2011; Grönroos and Voima, 2013). The service provider then serves as a creator of *potential* value-in-use and facilitator of *real* value-in-use. From a customer perspective, potential value-in-use is not real value yet; there is no difference between potential value-in-use and value-in-exchange. When a customer pays for a resource, the act manifests value-in-exchange, but there is still no realised value or value-in-use for the customer. In contrast, for the firm, manifested value-in-exchange is real value.

In conclusion, an analytical conceptualisation of the service perspective, based on a notion of value for the user being defined as value-in-use, logically means that the user is the value creator, whereas the service provider is a facilitator of customer value creation. Here we observe that because service provision is based on reciprocity, both the firm and the customer can adopt the role of service provider or user (Grönroos, 2012; Vargo, 2008).

INTERACTIONS AND VALUE CO-CREATION

If co-creation of value is used analytically, rather than in a metaphorical sense, we must ask: What is the role and focus of co-creation, who is involved, and when does value co-creation occur? The key to answering these questions is the *interaction* concept. Just as co-creation is not problematised in SDL, neither is interaction. As Vargo and Lusch (2008a) note, interaction appears mainly implicitly in the SDL, such as in the statement that the customer is always a co-creator of value. Although 'enterprises can offer their applied resources for value creation and collaboratively (interactively) create value following acceptance of value propositions, but cannot create/deliver value independently' (Vargo and Lusch, 2008a: 6), the meaning of this assertion gets disguised by the claim that firms and customers are always co-creators of value. The view of value as an all-encompassing process means that everything would be interaction, which clearly cannot be the case. To challenge interaction, the phenomenon helpfully can be divided into two concepts with distinct natures: direct and indirect interaction (Grönroos and Voima, 2013).

Direct interaction means that two (or more) actors act together in one process, in which their doings and sayings influence each other's actions and perceptions. The two actors' processes thus merge into one collaborative, dialogical joint process. During this interactive process,

every actor involved can directly and actively influence the value-in-use that emerges for the other actor (or actors). This collaborative, dialogical joint process then becomes a platform for reciprocal co-creation of value. What takes place on the interaction platform may influence how value is realised, or value fulfilment, for one or all actors—provided they are prepared to and effectively make use of the value co-creation opportunity (Grönroos and Voima, 2013).

Direct interaction need not be a joint collaborative, dialogical process with two persons though; it also can be a direct interaction between one actor (e.g., customer) and an intelligent non-human resource. For example, interactions with a system that can intelligently register the actions or speech of a person and respond to it form a joint dialogical process together with the person, as well as a platform for value co-creation. Both parties learn and immediately react on the basis of the lessons. Such interactions are also direct interactions.

Most non-human resources, such as products and various types of systems, do not possess intelligent properties in this sense. For example, physical products or IT-based systems that respond in a standardised way to user actions do not meet the criteria of intelligent non-human resources. The customer still interacts with the firm, through the use of products or resources, but the interactions do not provide a value co-creation platform. These *indirect interactions* with a firm or a service provider involve resources, including non-intelligent products and systems, that the service provider offers to the customer as a source of potential value-in-use. Whether value-in-use is created or emerges by the use of such resources depends on the actions of the customer alone. This value creation can be characterised as a customer's independent value creation (Grönroos, 2011).

From an analytical perspective, we thus must distinguish direct and indirect interactions, and accordingly conceptualise all interactions as either direct or indirect. Only direct interactions enable co-creation between the actors, such as a service provider and a customer, and form a platform for value co-creation. In the total value generation process, the development and provision of products and other resources by a firm, which enable indirect interactions only, are part of the provider sphere, which is closed to the customer (and other actors). Similarly, the resource integration actions of a customer, involving only indirect interactions with the firm, is closed to the firm (Grönroos and Ravald, 2011).

In Figure 1, we illustrate the SL model of value creation in service and its various phases, actors and goals. This model offers an analytical conceptualisation of the metaphorical views of value co-creation and creation in SDL. It may appear overloaded, but it includes all necessary elements of the value generation process.

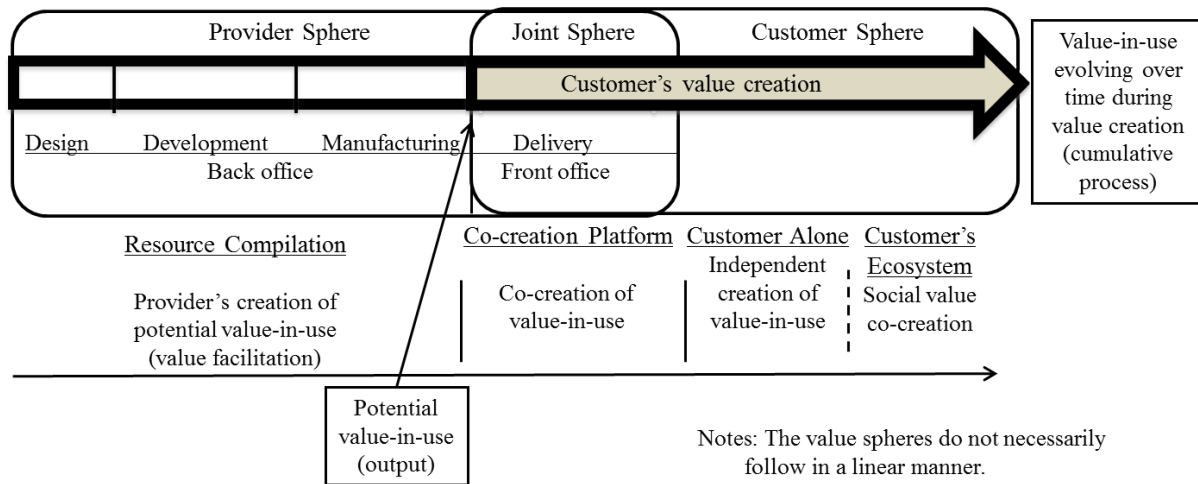


Figure 1. Value generation process: value creation and co-creation according to the service logic. Source: Adapted from Grönroos and Voima (2013), p. 136

As the figure demonstrates, the value creation process comprises three spheres (cf. Grönroos and Voima, 2013):

1. A *provider sphere*, closed to the customer, where the firm's role in the value generation process is to facilitate the customer's value creating process by developing and providing resources that offer the potential to support the customer's creation of value-in-use. The firm offers potential value-in-use.
2. A *joint sphere*, where the presence of direct interactions creates a platform for value co-creation. If actors manage to use this platform, co-creation of value takes place.
3. A *customer sphere*, closed to the service provider, where the customer independently creates value, as value-in-use. If direct interactions between the customer and actors in the customer's ecosystem occur, the independent value creation depends on a collective social value co-creation process as well (Grönroos and Voima, 2013). This platform for value co-creation also is closed to the firm (Heinonen et al., 2010, 2013).

The process is not necessarily as linear as the figure implies. Different spheres and corresponding value creation processes can be intertwined, such that co-creation actions might take place in the middle of or even before activities in the provider sphere. The customer may engage in service or product development or design activities, before manufacturing or operations activities closed to the consumer take place. In joint product development and design processes, direct interactions occur and produce value co-creation platform. If we conceptualise value creation in this way, the SL service perspective genuinely is based on value creation. The customer drives value creation, so the SL is also customer centric.

THE FIRM IS NOT RESTRICTED TO OFFERING VALUE PROPOSITIONS

According to the SDL, firms as service providers cannot deliver value but only make value propositions. The latter part of this claim contradicts evidence from modern service research. Service marketing knowledge, concepts and models reflect the foundational premise that service providers are not restricted to offering value propositions; instead, the marketing context of service firms, unlike that for consumer goods, is characterised by interactivity, reciprocity and two-way influences in the service process. The value for the customer of the service being provided in this process thus depends on how the service provider and customer, through their behaviour and communication, influence each other (e.g., Booms and Bitner, 1982; Eiglier and Langeard, 1975; Grönroos, 1978; Gummesson, 1979, 1991; Langeard and Eiglier, 1987; Lehtinen, 1983; Parasuraman et al., 1985). The provider clearly influences the service and its value for the customer. In addition, fellow customers who are simultaneously present in the process may exert impacts (Eiglier and Langeard, 1975, 1976; Grönroos, 1978; Martin and Pranter, 1991). Although it does not use the term ‘value’, this research clearly addresses the emergence of customers’ value-in-use.

We might question why the SDL establishes, as a central foundation, that the firm cannot deliver value and only offer value propositions, such that it cannot not influence customers’ value fulfilment in any way other than by suggesting value. In an early contribution by Lanning and Michaels (1988), in which they introduce the value proposition idea, the firm appears as a ‘value delivery system’, and competitive advantage derives from ‘delivering superior value to enough customers at a low enough cost to generate wealth’ (p. 1). Thus the value proposition offers a means of improving the effectiveness of the performance of a value delivery system, and the authors assert ‘superior value delivery ... consists of two key actions: Explicitly and rigorously choosing the superior value propositions ... Echoing the chosen *value proposition* in every business activity of the company (... provide or communicate the chosen value to the target customer group)’ (Lanning and Michaels, 1988: 3, 5; underlines in the original, italics added). The point of value propositions thus is to present the firm offering more efficiently to customers, with the idea that customers can recognise appealing value propositions and will select the offering of the focal firm instead of competitors’ offerings (Anderson et al., 2006).

The value proposition is a one-sided, firm-oriented concept for effective value delivery, with the clear potential to strengthen marketing in a goods-providing firm that engages in limited customer interfaces, other than customers’ indirect interactions with a physical product, which is a context characterised by value delivery. The value proposition concept thus is not designed for a service context in which the customer and firm directly interact in a broad interface. Furthermore, the value proposition concept refers to contexts in which the firm delivers value to its customers (Anderson et al., 2006), not, as the SDL suggests, contexts in which the firm *cannot* deliver value. Bringing the value proposition concept, which functions well in a goods context, into a service setting makes understanding of service goods logic-influenced. To alleviate this shortcoming, several authors have redefined value propositions as co-created (Payne et al., 2005), arguing that they establish expectations (Edvardsson et al., 2011; Lusch et al. 2008) that then must be fulfilled. Yet Skålén et al. (2015) recognise the

shortcomings of the value proposition concept, suggesting that making value propositions is not adequate. Instead, providers, together with other parties, may need to act to ensure the realisation of proposed value, which is possible only during the interaction between the firm and the customer.

The SDL conclusion that firms can only offer value propositions probably is based on its treatment of the interaction phenomenon. Although Vargo et al. (2008) acknowledge that the roles of producers and consumers in a goods-dominant logic are distinct, but they are not in the SDL, the interaction between the producer and consumer still emerges as a consequence of this service perspective, explained implicitly through the SDL's foundational premises (Vargo and Lusch, 2008a, 2008b). In contrast, in the SL, interaction is an antecedent of the service perspective. From the very beginning of modern service research, the main schools of thought have recognised the existence of broad interfaces between the firm and its customers. Interaction represents the foundation for how services emerge for customers, as well as the main reason for the differences of service marketing compared with conventional goods-based models, which remain insufficient in a service context (Rathmell, 1966, 1974).

BEYOND VALUE PROPOSITIONS

Because the actors' processes—the firm's service production process and the customer's consumption and value creation processes—merge into one collaborative, dialogical process during direct interactions, a platform for co-creation of value for both actors arises. The activities on this platform are interactive, mutual and reciprocal. Both parties can directly and actively influence each other's processes. Therefore, the value-in-use created for the customer (or the firm or both actors) is influenced by actions that occur on the platform.

As a clearer understanding of the nature of direct interactions shows, in services there are ample opportunities for the firm, as a service provider, to go beyond the goods logic-influenced view that the firm can only offer value propositions. The service provider can actively and directly influence customers' perceptions of the firm and its service, as well as customers' willingness to continue buying from it. Whatever value the service provider has originally promised, or proposed (using value proposition terminology), may be moderated and altered during the interaction process and thus change the customer's experiences and determination of value-in-use. The higher the value-in-use, the greater the likelihood that the customer considers buying from the same firm the next time. If the co-creation process has an unfavourable impact on the customer's experiences and value-in-use, the effect likely will be the opposite.

Hence, the co-creation process not only influences value creation but also has marketing implications. Following the service perspective in SL, which recognises the omnipresence of customers in the organization, marketing becomes a mindset and a customer focus in an organization, not just a specialist function. Marketing is a *customer management process*, which enables a relational approach that cannot be implemented by a specialist marketing function alone.

By removing the restriction that firms only offer value propositions and realising that adopting a service perspective enables firms to go beyond this view, we establish a totally new scope for marketing. The SDL acknowledges the need for multi-functional collaboration: ‘to serve effectively (and efficiently) necessitates cross-functional and inter-organizational and network integration’ (Vargo and Lusch, 2008b: 34). However, explicitly its foundational premises do not lead to cross-functional or inter-organizational marketing implications. According to SL, marketing through value co-creation, or *interactive marketing*, takes place outside the realm of the marketing department or the area of responsibility of *full-time marketers*, a term introduced by Gummesson (1991) to denote the marketing specialists often organized in marketing departments. In conventional marketing models with a goods logic (e.g., 4P model), offering only value propositions is possible, and marketing is restricted to the activities of the marketing function. However, with a service perspective, such as the SL, this restriction disappears. Interactive marketing performed by employees outside the marketing specialist function becomes one of the responsibilities of other business functions, so the marketing process transforms into a multi-functional concern. Full-time marketers are responsible mainly for getting customers, by making promises in the form of value propositions, and for creating brand awareness. Other business functions take the responsibility of keeping promises by acting on the value co-creation platform and thus for keeping and growing customers, creating and maintaining enduring customer relationships and realising and maintaining the brand.

DISCUSSION AND IMPLICATIONS

Although a metaphorical approach may be appropriate for discussing the influence of a service perspective on an aggregate level in society, on a managerial level, metaphorical discussions lead to some goods logic-influenced conclusions. On an aggregate level, SDL and its generic view of value creation and value co-creation provide useful insight that broaden the notion of service. When developing a managerially relevant model though, this approach is too general to be helpful. A more fine-tuned model with well defined concepts is required.

The logic that underlies service means that firms strive to support and facilitate their customers’ various practices, such as purchasing, order making, installing, using, maintaining, paying, getting advice about usage opportunities and correcting mistakes; they perform these practices in a way that makes it possible for customers to create value-in-use for themselves (Grönroos, 2011). Understanding how value emerges or is created for customers is central to understanding marketing (e.g., Alderson, 1957; Sheth and Uslay, 2007). Grönroos (2009: 353; italics in the original) offers an explanation of what, from a value-oriented customer-centric perspective, should be the aim of marketing in a contemporary context: ‘*The goal for marketing is to engage the firm with the customers’ processes with an aim to support value creation in those processes, in a mutually beneficial way*’. In other words, *the objective of marketing is to make the firm relevant for its customers* (and for other stakeholders as well).

In this article, we have used the expression *value generation* to denote the total process, to which multiple actors, including customers (or other users) and actors in their social ecosystem, through many different activities, contribute to value for customers at the end of this process. We have concluded that in a logical model, only one value concept and one definition of value may be used to refer to the value-related actions performed by actors in this value generation process. In contemporary literature, value-in-use is the key value concept, from which follows that value emerges for or is created by the user as value-in-use, determined by users as value-in-use, and that firms as service providers must take value facilitating actions to provide potential value-in-use.

Potential value-in-use cannot be realised until real value, as value-in-use, emerges for the customers or is instrumentally created by them through the use of resources obtained in a resource integration process. Thus, the firm is fundamentally a *value facilitator*, though as we have shown, if direct interactions occur between actors in the value generation process (e.g., between a service provider and customer) or can be developed by either actor (e.g., in a dyad or a larger network), the actors' processes merge into one collaborative, dialogical process, which forms a *platform for co-creation*.

Because the customer is the value creator (of value-in-use), it is the service provider that may engage with the customer's process to co-create value, not the other way around. In a reciprocal context, the customer also can become the service provider and influence the firm's processes, such as by providing information about potential improvements to existing processes (Grönroos, 2012). In that case, the customer is the service provider and engages with the firm's process to co-create value with the firm. Here value-in-use depends on the context in which resource integration takes place, such that it can follow from physical, mental or virtual usage, or even from the mere possession of a resource, such as a valuable piece of art.

From this discussion, we derive several managerial service logic principles related directly to value creation and indirectly to marketing (also see Table 1):

1. In a value generation sphere closed to the service provider, customers, or any users, create value in the form of value-in-use, emerging out of or being created from integrating new resources with existing resources and applying previously held knowledge and skills.
2. Value evolves in a cumulative process or is sometimes destroyed, throughout the customer's value-creating process.
3. Value is uniquely, experientially and contextually perceived and determined by customers.
4. Firms as service providers are fundamentally value facilitators in a value generation sphere closed to the customers, such that they develop and provide potential value-in-use for customers and other users.
5. If a platform of co-creation exists or can be established through direct interactions among actors in the value generation process, the service provider can engage with

customers' value creation, and opportunities for co-creation of value among actors arise.

6. Between the customers and individuals in their ecosystem, social value co-creational activities that influence independent value creation process may take place.

Value creation for the actors involved constitutes a central goal of business and marketing, and service is a means of achieving this goal. Our analysis demonstrates that a contemporary understanding of the value proposition notion, which is largely elusive and undefined, includes reciprocity, which can best be explained by a *promise management* definition of marketing. According to this definition, marketing includes both making and keeping promises (and in addition enables promise making and keeping; Grönroos, 2009). The value proposition expression, with its roots in value delivery, includes a promise making element, without integrating the promise keeping aspect. In contrast, promise management features a concept that includes promise making, with an understanding that promises made must also be kept (Calonius, 2006).

Customers decide to what extent a promise about potential value-in-use has been kept; as we have shown, during direct interactions, the use of a co-creation platform enables service providers to engage with the customers' value creation and co-create value with them. In the SL, firms thus have an opportunity to influence, actively and directly, how the *value promise* (made through a value proposition) gets kept. The firm as a service provider can go beyond the goods logic restriction for marketing, according to which marketers can do no more than make promises and offer value propositions pertaining to customers' future indirect interactions with products and other resources.

This discussion suggests the following managerial service logic principles related to marketing (see Table 1):

7. Service is the use of resources in a way that supports customers' everyday practices—physical, mental, virtual, possessive—and thereby facilitates their value creation.
8. The goal of marketing is to engage the service provider with customers' processes to enable reciprocal value creation among the actors, with service as a facilitator.
9. As service providers, firms are not restricted to making promises through value propositions.
10. In direct interactions, using a platform of co-creation, firms as service providers have an opportunity to engage with customers' value creation; through interactive marketing, they can directly and actively influence value fulfilment and thereby keep promises made, as well as contribute to the establishment and maintenance of customer relationships.

MANAGERIAL IMPLICATIONS

Adopting a service perspective according to the ten service logic principles has profound implications for marketing, as well as for management. On the one hand, marketing implications suggest ways to reinvent marketing to make it more credible. On the other hand, they create key challenges for management and the organization.

Adopting a service logic allows marketing to break free from the goods logic-influenced restriction of being able to offer only value propositions. According to conventional marketing models, from the firm and marketing perspectives, keeping the promise made by the value proposition is a passive process. The product fulfils the promise on its own. However, SL points at the value co-creation platform, as created by direct interactions between the firm and its customers, which enables the firm to influence customers' value creation, directly and actively.

In this sense, the firm can go beyond active promise making and passive promise keeping and, through its interactions with the customers on the value co-creation platform, take an active role in promise keeping. The way in which the firm manages to handle active promise keeping exerts an impact on customers' preferences and willingness to continue buying from the firm, as well as on their perception of the brand image, so promise keeping activities on the value co-creation platform have a marketing effect. For example, advertising fast and attentive service in a restaurant (active promise making) can be reinforced by speed of service and attentive behaviour of waiters, whereby the promise made is actively kept. As a consequence, the brand image of the restaurant will probably be fulfilled and strengthened in the customer's mind, and his or her propensity to return to this restaurant will be favourably influenced. In contrast, the degree to which the promise made by actively advertising the use opportunities of, for example, a coffee machine (active promise making) is depending on how well the customer manages to make use of this physical product. The marketer cannot influence how well the promise made is kept in any active way. Therefore, the marketer's role in promise keeping is passive. If the firm in this case decides to add a call centre to assist customers, it establishes a co-creational platform and moves towards the adoption of a service perspective in its marketing. If customers' actively make use of the call centre, active promise keeping is possible, and from a marketing perspective, marketing is extended beyond only offering a value proposition.

In conclusion, from customers' perspectives, promise keeping is part of the marketing process, which also is true in a traditional goods logic. But in the latter view, promise keeping is a passive process, whereas in the service perspective, it is active. Therefore, actively co-creating value with customers in direct interactions—or interactive marketing, in service marketing literature—is equivalent to the passively functioning product variable in the goods logic.

The value co-creation platform, as part of the marketing process, does not follow traditional organizational boundaries. It may exist in nearly every organizational process and

department. Thus marketing becomes truly multi-functional, which represents a huge step forward for customers but also an organizational challenge for the firm.

To adopt a service logic, such that the firm aims to support and facilitate customers' everyday practices, on top of gathering knowledge about its customers' needs, the firm must acquire thorough insight into their practices too. What firms offer, based on information about customer needs, does not necessarily align with what Strandvik et al. (2012) call *customer needing*, that is, what customers really look for to support their practices in a value-creating way. Implemented successfully, a service perspective is customer centric. The customer centricity requirement and value co-creational interactions also offer the potential to bring the firm and its customers closer and trigger their relational engagement, so a service perspective is also relational.

For marketing to function successfully as a multi-functional process, it becomes necessary to tackle organizational challenges for management, mainly to move beyond conventional organizational solutions. Normally, only the marketing specialist function is prepared from the outset to be customer centric; its full-time marketers train for their part of customer management, which mainly entails promise making and the creation of brand awareness through executing conventional marketing mix activities. The main tasks of other functions seem unrelated to customer management but instead might focus on design, development, production, deliveries, repair and maintenance, complaints handling or invoicing. However, as we have concluded, the way that employees in these functions perform their duties, listen to customers, respond and communicate exerts a powerful impact on customers' continued purchasing behaviours and on the development of the brand image. Thus service marketing literature refers to them as *part-time marketers*, and their interactions with customers on the value co-creation platform entail *interactive marketing*. The situation in which business functions other than marketing specialists do not consider the customer or a customer focus an integral part of their daily lives, or customer management part of their responsibilities, creates two challenges: (1) how to organize for marketing as customer management, not only as a separate specialist function, and (2) how to prepare employees outside the specialist marketing function to include a customer focus in their jobs. In service marketing literature, these challenges demand *internal marketing*.

The need for a new organizational approach, according to the service perspective on business, has long been recognised. Gummesson (1979) described this situation as an organizational dilemma, Normann (1984) called for an organizational innovation, and Grönroos (1999) pointed to the need for a customer focus throughout the organization. With a service perspective, management must recognise the omnipresence of the customer in the organization, though only in the specialist function is the customer present full-time. For the rest of the organization, the customer appears only part-time. Marketing as a phenomenon and customer management is not the main responsibility of the functions other than the marketing specialist function, and therefore, their marketing or customer management responsibilities cannot be part of the marketing department. That is, the other departments remain in place, such as production and operations, logistics, repair and maintenance, but acknowledge an additional customer focus requirement.

Full-time marketers and their conventional marketing tasks also can still be organized in one department that specialises in understanding the customer and planning and executing traditional marketing activities. However, in other business functions, *marketing needs should be instilled as a customer-focused mindset*. The customer, and marketing as customer management, is everywhere in the organization. The task for management is to resolve the challenge of organizing marketing in a traditional sense but adopting a service perspective. In service and marketing literature, no solutions have been offered thus far. In management literature we find an interesting suggestion in Carlzon's (1987) description of SAS Scandinavian Airlines' experience in the 1980s: invert the organizational pyramid and also flatten it.

The need to instil marketing as a customer focus throughout the organization leads to a second challenge for management, namely, preparing employees to serve as part-time marketers and accept a customer focus aspect of their responsibilities. This need for internal marketing also appears throughout the history of service marketing literature (e.g., Ahmed and Rafiq, 2003; Ballantyne, 2000; Berry, 1981; Eiglier and Langeard, 1975; Flipo, 1986; George, 1990; Grönroos, 1978, 1981; Sasser and Arbeit, 1976). Grönroos (1999) emphasises that this internal marketing requirement is a strategic issue for management, not just a tactical activity. The essential strategic internal marketing challenge is to create a job environment marked by interesting and, from employees' point of view, meaningful tasks, to reinforce their interest in the customer focus aspect of their jobs. According to Grönroos (2007), employees thus must be offered an appropriate knowledge base, be assigned meaningful tasks and remain empowered to perform those tasks effectively. Furthermore, they must be propped up by continuous management and supervisory support and attention, as well as physical and informational support to enable their empowered performance (Grönroos, 2007). This strategic level of internal marketing then can be supported by tactical activities, such as internal communication and customer contact training, information about new activities, new promises made to customers and so forth.

Taking a service perspective and following a service logic offers academics and practitioners a means to reinvent marketing, as customer management, and make it more meaningful for firms and customers—and ultimately for boards and shareholders as well. However, implementing marketing as customer management also creates challenges for marketing and management, and these challenges cannot be neglected. Otherwise there is a risk that marketing reverts to a traditional goods logic, with one specialist function and a single-department organizational solution focussing on only offering value propositions.

As a final observation, we note that implementing marketing successfully as an organization-wide customer management process based on a service perspective may require rethinking the very term 'marketing'. This term was introduced to refer to the process of getting customers; today's challenges go well beyond that initial step. For the most part, the term has been embraced by full-time marketers in the marketing specialist function only. For the rest of the organization and part-time marketers, there is often psychological resistance. Therefore, as suggested by Grönroos (1999), an alternative term may be needed.

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ESSENTIALS OF CUSTOMER DOMINANT LOGIC

Tore Strandvik and Kristina Heinonen

FOCUS ON CUSTOMERS

Customer-dominant logic (CDL) has been introduced by Nordic School scholars as a novel perspective on marketing and business (Heinonen et al., 2010; Heinonen, Strandvik and Voima, 2013). This perspective is grounded in understanding customers' logic and how companies' offerings become embedded in customers' life/business. The term 'dominant' refers to having a dominant role in the company. This chapter outlines the essentials of CDL that differentiate it from other marketing perspectives. The focus of the chapter is explaining key aspects of the customer-dominant logic approach and how managers can benefit from applying it. This insight is important because CDL provides a fresh perspective on how to successfully conduct business in dynamic market environments where customers are increasingly powerful. CDL is highly applicable to today's business challenges, which are centered on what companies can profitably offer that customers are willing to buy.

PERSPECTIVES MATTER

Perspectives are important in academic research and business practices. Perspectives are embodied in both abstract concepts and business models; hence they influence not only thinking but also actions. Some researchers reflecting on the managerial relevance of academic research claim that the most significant and longest lasting impact of academic studies is the creation of new concepts and perspectives (e.g. Jaworski, 2011). Recently, new marketing and business perspectives have been introduced to help companies thrive in the emerging business environment that now includes radical changes in technology, competition, and customer power as well as an increased concern regarding sustainability and welfare. This paper presents the essentials of the customer-dominant logic (CDL) perspective and discusses implications for business practices. We also discuss the central differences and similarities of CDL compared to other contemporary marketing and service perspectives.

Customer-dominant logic (CDL) (Heinonen et al., 2010, 2013) was introduced at the Centre for Relationship Marketing and Service Management (CERS), Hanken School of Economics, Finland. CDL is a marketing and business perspective that is grounded in understanding customers' logic and how companies' offerings become embedded in customers' life/business. The phrase 'customer logic' denotes the customers' reasoning and sense making about appropriate ways to achieve goals and conduct tasks. CDL is not simply a research approach; it also represents a useful perspective for managers. The term 'dominant' refers to the customer having a dominant role in the company. Hence, a company applying CDL allows its business be dominated by customer-related aspects, rather than being dominated by other factors such as products, service, costs, or growth. This is the primary reason why CDL has a different focus than service logic (SL) or service-dominant logic (SDL), which emphasize service and systems, respectively.

The customer is significant in the CDL approach and, as will be explained later, considered a source of potential new business. Customer-dominant logic does not focus on consumers as customers only but rather it covers all kinds of customers, including consumers, companies, and organizations. Although we use the term ‘customer,’ other expressions could be used as well, including user, beneficiary, consumer, buyer, client, actor, or demand. By emphasizing the customer, we stress the importance of the business perspective. The customer is the basis for business success, because without customers there is no business (Drucker, 1974). Since customers have the opportunity to choose between alternative offerings, it is essential from a management perspective to know how customers choose between different providers and become customers and why they continue using certain providers.

By promoting CDL as a marketing and business approach, we emphasize that CDL considers marketing a foundation for business (Strandvik, Holmlund and Grönroos, 2014), as opposed to the common perception of marketing as a mere function of business. Why is it appealing to consider yet another marketing perspective? Many shifts in thinking have occurred in marketing over the years, including an increased focus on services as opposed to products. Some of these marketing shifts are already well integrated into business practices and are used to guide management decisions, and others are still on the academic drawing table waiting to be implemented in business practice. These shifts in theoretical thinking are directly related to changes in the business environment, which continuously create and shape new challenges for business managers.

We forward the following three reasons for examining business perspectives: 1) Management is essentially a process of applying perspectives to the company’s business (c.f. Drucker, 1974). This often happens implicitly in the sense that managers are not aware of the constellation of assumptions that they rely upon. Managers may apply different perspectives, which result in different interpretations of events. Providers and customers may apply different perspectives as well, which often result in unnoticed business difficulties. This challenge might be overcome by paying specific attention to the issue of business perspectives, or business logic. 2) The business environment is dynamic, which leads to a continuous need to revise—or at minimum reflect upon—applied perspectives in order to stay competitive. Changes in the business environment may be either real or perceived. Perceived changes are interpreted (socially constructed) by actors (managers and customers). Managers and customers may unconsciously apply their deeply-rooted perspectives even if the business environment has changed, resulting in improper interpretations of the marketplace. 3) Customers have become empowered due to developments in information and communication technology. These developments give customers power and increased freedom to act and take initiatives in the marketplace, while making them less predictable and stable from the providers’ point of view. Consequently, to create and maintain profitable customer relationships, companies need a better understanding of customers’ logic to help them attract and keep customers.

Each of the marketing perspectives proposed in existing literature have strengths and weaknesses. They have different foci and scopes, and are built on different fundamental assumptions. Because each marketing perspective comes with its own set of assumptions, the

perspectives have differing areas of emphasis. Marketing perspectives could be metaphorically viewed as buildings; each has its own foundation or fundamental assumptions, with additional stories consisting of models, concepts, and methods. CDL shares some basic assumptions with other marketing perspectives but is fundamentally different in other respects and it has consequences on what is emphasized. Perspectives and models presented in academic literature often represent pure, ideal approaches to marketing issues and business. In practice, although managers also use perspectives, they often do not correspond to the ideal academic descriptions.

THE APPROACH IN THIS CHAPTER

The previous discussion of perspectives fits with the research tradition in marketing that emerged in the early 1980s at the Centre for Relationship Marketing and Service Management (CERS) and Hanken School of Economics. This research tradition has a strong focus on services and customer relationships and represents characteristic philosophies of the Nordic School of Service Marketing (Gummesson and Grönroos, 2012). This school of thought is typically “not constrained by mainstream norms” (ibid. p. 490) and favors conceptual work. Another feature of the Nordic School is related to its methodology; Nordic School scholars are driven to challenge existing assumptions and explore different ways of understanding phenomena (Gummesson and Grönroos, 2012; Grönroos, 1991). Recently, Alvensson’s and Sandberg’s (2011) ideas about the need to challenge underlying assumptions in order to reach interesting research questions have proved inspirational. These ideas are reflected by how we created customer-dominant logic as a marketing and business perspective. CDL can be compared with two other perspectives used by Nordic School scholars: the service logic perspective initiated by Christian Grönroos at Hanken, and the service-dominant logic perspective supported by Evert Gummesson (Stockholm University), both founders of the Nordic School research tradition.

This chapter has the following structure and elements. First, since customer-dominant logic is a rather new perspective, we summarize its history and development. We then position and compare CDL with other marketing perspectives, each of which present suggestions on how to create successful businesses. This discussion involves assumptions and ideas about what should be offered, how this can be determined by the provider, the main challenges of managing business activities, how such challenges should be addressed, and how the outcome should be assessed. In practice, these perspectives result in different views on how offerings are understood (as an outcome, a resource, a process, etc.) and how customers are believed to choose between different offerings. Second, we discuss CDL in light of the main service perspectives to demonstrate its key characteristics. A focus is placed on defining the concepts ‘offering,’ ‘value,’ and ‘customer,’ which represent fundamental building blocks. Third, we summarize essentials as well as research implications of customer-dominant logic.

In this text, we refer to central concepts in a generic way. For example, the term ‘provider’ is used to denote a seller, supplier, company/organization, or individual providing an offering to a customer. The term ‘offering’ is used to reference products, service(s), solutions, value

propositions, and relationships—in general, whatever the provider is selling. The term ‘customer’ denotes the buyer, consumer, client, or user that purchases and uses the offering. Furthermore, the customer unit may vary, the term does not necessarily refer to a single consumer, company, or organization; it can also refer to a group of consumers, companies, and organizations. Similarly, a customer does not have to be a company in a business context; the term can also be used to denote a single person within a company. Therefore, the perspective can be applied to any context and any level of abstraction. Finally, the buyer, payer, and user need not be the same actor, but these different roles can be separate elements in the very important problematization of the customer concept.

THE HISTORY AND DEVELOPMENT OF CDL

The first outline of the CDL perspective was developed within the context of a research project in 2008–2011, which was funded by partner companies and the Finnish Funding Agency for Innovation (Tekes). The project had international cooperation with the Center for Service Research at Karlstad University, Sweden and the Stockholm School of Economics, Sweden. However, the fundamental ideas for this perspective emanate from within CERS, where Kristina Heinonen and Tore Strandvik began to reflect upon service and the role of customers, triggered by discussions about service-dominant logic (Vargo and Lusch, 2004) and service logic (Grönroos, 2006). These reflections were founded on Heinonen’s work on service value (Heinonen, 2004, 2006, 2007, 2009) and Strandvik’s earlier work on service and customer relationships (Storbacka, Strandvik and Grönroos, 1994, Liljander and Strandvik, 1995) as well as some earlier joint papers on service in an online and offline context (Heinonen and Strandvik, 2005, 2007, 2009). The accumulated service research tradition at Hanken/CERS and the increasing autonomy of customers in general inspired an intensified focus on the customers’ domain. The first two working papers on CDL were published in 2009 and 2010, later appearing as journal articles (Heinonen et al., 2010; Heinonen et al., 2013). Simultaneously, at the Department of Marketing, Christian Grönroos engaged himself in a debate about the similarities and differences between his SL theory with roots from the early 1980s and the SDL movement that started in 2004. Thus, intensive debates were held at CERS about how SL differs from SDL, and how CDL differs from both. This focus on differences between the three perspectives has stressed and refined contrasts rather than similarities. Although they share similarities, none of these viewpoints are by design a subset of each other but rather distinct perspectives. Since its development, CDL has been used by researchers at CERS to address many different aspects of marketing. Mickelsson (2013, 2014) focused on customers’ activity patterns; Strandvik and Heinonen (2013) as well as Rindell and Strandvik (2010) focused on branding; Arantola-Hattab (2013) examined families as customers in her doctoral dissertation; Strandvik, Holmlund and Edvardsson (2012) introduced the needing concept in a business-to-business setting; Medberg and Heinonen (2014) used netnography to explore customer value in the setting of an online community; and Lipkin and Heinonen explored the dynamics of experiences (Lipkin and Heinonen, 2014). CDL has been applied by researchers outside of CERS as well, including

Schlager and Maas (2012), Rihova et al. (2013), Tynan, McKechnie and Hartley (2014), and Cheung and To (2015).

SL has also been further developed in parallel by Grönroos and other colleagues at CERS (Grönroos, 2011, Grönroos and Helle, 2010, Grönroos and Raval, 2011, Grönroos and Voima, 2013, Grönroos and Gummerus, 2014). As a result, although SDL has been adopted at other research centers around the world as the leading new perspective, researchers at CERS have lived in a more diverse research environment, with proponents for SL, CDL, and to some extent also SDL.

CDL has evolved to manage current marketing challenges by addressing core issues in business: “What can we offer to customers that they are willing to purchase?” (As opposed to “How can we sell more of our existing offerings?”). We believe that in order to answer this question it is necessary to start by understanding customers. We argue that companies need to be concerned with how they can become involved in customers’ lives, rather than focusing on how to involve customers in their businesses (Heinonen et al., 2009; Heinonen et al., 2010). This shift in focus has many implications for companies that will be expounded in this paper. The starting point of understanding customers is essential because without customers there is no business for the company. Furthermore, an understanding of the marketplace that is better fit to (changing) reality becomes a competitive advantage. Essentially, managers’ thinking becomes an important competitive advantage.

POSITIONING CDL AMONG OTHER MARKETING PERSPECTIVES

Throughout the history of marketing theory, there have been different understandings of what marketing is and should do in practice. Figure 1 summarizes different perspectives on marketing with the consequences of how customers are viewed; the main perspectives are positioned based on scope and focus. These two dimensions are relevant because they capture the key factors of marketing management and lead to different theoretical and practical implications. ‘Scope’ refers to the context of offerings and ‘focus’ depicts how the provider-customer connection is approached. When combined, these dimensions describe an arena where different marketing perspectives can be positioned and compared. Broadly speaking, the scope of perspectives has evolved over the years from encounters toward systems, and the focus of perspectives has progressed from providers towards customers. The reason for this evolution is most likely related to changing business environments. It should be noted that different perspectives have an indicative position in Figure 1 to depict the fundamental differences. In practice, research might exist that falls in between perspectives and the boundaries of each perspective are less distinct.

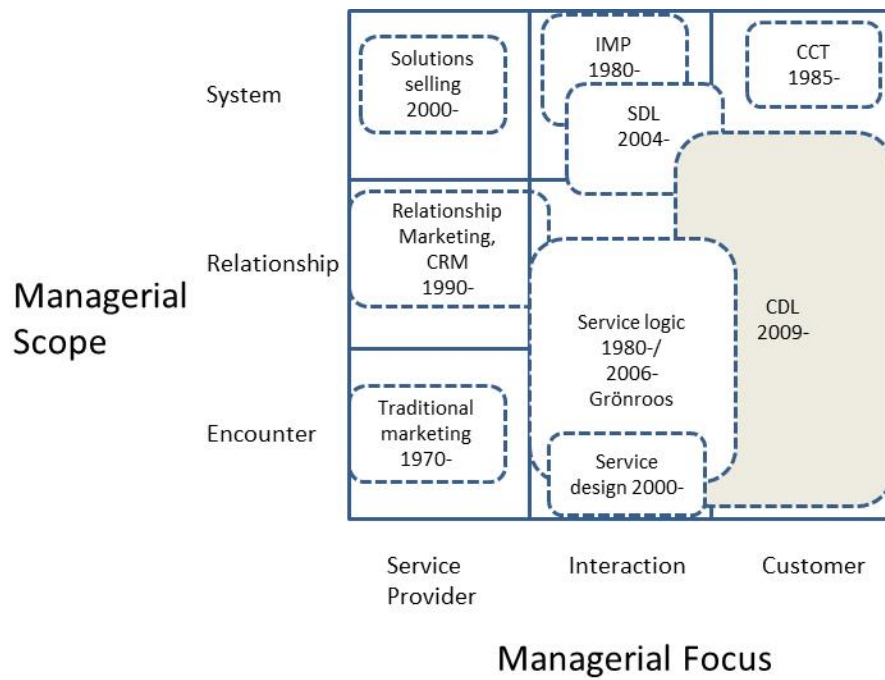


Figure 1. Different views of marketing (Extended from Strandvik, 2013)

When emphasizing managerial scope and focus, CDL represents a unique perspective compared to the other perspectives. For example, whereas Consumer Culture Theory (CCT) emphasizes collective and aggregated cultural systems, CDL is focused on an idiosyncratic individual customer view. The unit of observations is different as well: CDL focuses on the specific and unique, whereas CCT emphasizes the aggregate and general. Moreover, contrary to traditional service management literature, CDL suggests a shift beyond customer needs. ‘Need’ as a concept is implicitly thought to relate to the provider’s offerings or potential offerings based on their capabilities. The CDL perspective, in contrast, is focused on the customer’s logic of organizing their life and making choices between alternative offerings and providers. The emphasis is not on a specific need that is filled with an offering, but rather on the offering’s potential position in the customer’s complex integration of offerings and their own resources. This view is consistent with the needing concept (Strandvik et al., 2012). Moreover, in contrast to the market orientation and solutions literature, the CDL perspective does not believe that the company can drive ‘markets’ (Jaworski, Kohli and Sahay, 2000, see also Storbacka and Nenonen, 2011), but rather that customers orchestrate markets (Heinonen et al., 2010) even if companies may believe otherwise. Regardless of how providers view markets and their offerings, customers will ultimately construct the market through their sensemaking processes.

In traditional product-oriented literature, the terms ‘market orientation’ and ‘customer orientation’ have been used frequently. This view is anchored in considering the company and its transactions as fundamental. Market orientation has been defined by Kohli and Jaworski (1990:6) as “the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it.” Market orientation stresses both market intelligence

and customer needs. In this sense, customer/market orientation represents a largely provider-dominant view because the focus is on specific customer 'needs' defined by the company, rather than on a deep insight into customers' contexts, logic, and activity patterns. Furthermore, the starting point tends to be the company's current offerings, business model, and resources in order to create new offerings anchored in an encounter/transaction understanding of business.

The rise of Services Marketing and Management in the late 70s and early 80s brought the differences between physical products and services into the discussion. One way of describing the differences was through stressing the intangibility and the processual nature of services compared to physical products. At that time, services marketing seemed to be fundamentally different than so-called traditional product marketing, which often relied on marketing communication. Services marketing introduced the importance of front line personnel.

Services marketing also introduced and emphasized customer perceptions of services, and researchers and practitioners became occupied by measuring perceived quality and perceived value. This made the customer the ultimate judge of the service provider's actions, which was considered challenging because different customers may have different expectations. Service episodes, or short-term interactions, were a primary focus, as the service was considered to be 'delivered' in these episodes, or moments of truth (Grönroos, 1990). It also became common to study 'critical incidents' and complaints, or episodes that did not meet customers' expectations and subsequent reactions to these incidents (Gremler, 2004). Still, the main focus was on company-controlled service encounters.

'Relationship marketing,' a new development in marketing theory in the 90s, extended the time perspective, shifting from a focus on specific episodes to considering relationships with customers (Liljander and Strandvik, 1995, Storbacka et al., 1994). In essence, the relationship became the offering that the provider was selling. There was also room for a more traditional interpretation of what a customer relationship approach means: a more efficient mass-communication platform as customers were known and listed in databases. Customer relationship management (CRM) evolved into a fresh research field and managerial practice, but it still emphasized customers' role as recipients, not active participants in the service process.

More recently, research on 'solutions selling' has emerged as a field emphasizing the system of actors from the perspective of the provider (Nordin and Kowalkowski, 2010). Solutions are typically seen as "wide offerings that cover most if not all customers' needs" (Nordin and Kowalkowski, 2010:445), and as the word 'solution' indicates, it is a firm's offering that is adjusted to fulfil different customer needs. This tailoring according to customer needs may occur at the design and delivery level or at the implementation phase, which means that the final solution may be completely customized or it may have different standardized components with a customized assembly (Nordin and Kowalkowski, 2010). Depending on the level of customization, offerings may require alignment and adaptation with different network partners (Matthyssens and Vandenbempt, 2008). Even though this field is focused on

customer-specific solutions, the starting point is still the firms' and networks' capabilities and resources, not the customers' life or business.

Service-dominant logic emerged as a new perspective a decade ago. Initially focused on service, it later evolved into a mindset on organizations, markets, and society (Vargo and Lusch, 2004; Lusch and Vargo, 2014). The main premise of SDL is the role of service. All actors are seen to be involved in a service, i.e. service is exchanged for service. The main concepts of SDL include co-creation and value in use with a high customer involvement. The notion of service exchanged for service results in an emphasis on service systems or service ecosystems on a high abstraction level. As a result, the producer-consumer divide disappears and is replaced by generic actors—beneficiaries—involved in resource integration and service provision. In the service literature, it has been argued that customers' perceptions and experiences should be reviewed and analyzed as a co-creation process (Vargo and Lusch, 2004; Payne, Storbacka and Frow, 2008).

Triggered by the emergence of SDL, Grönroos (2006) expounded and synthesized his views on service logic as a service and marketing perspective. The main differences between SL and SDL have recently been summarized by Grönroos and Gummerus (2014) from a SL point of view. Both perspectives share the view that interactions between the provider and the customer are essential. In many other respects, SL differs from SDL in terms of foundational beliefs. SDL was initially built on ten propositions, which were later condensed to four strongly held assumptions, labelled axioms. SL does not share these axioms, leading to differences in how service is portrayed. CDL rejects these axioms as well, but ends up with slightly different views on service and business management than SL due to more strongly prioritizing the customer.

'Service design' represents a different body of research and practice that takes a rather detailed view of services as processes by implementing design thinking (Holmlid and Evenson, 2008). A transition has also taken place within service design thinking, moving from considering single service interactions to service systems (Patrício, Fisk and Constantine, 2011). Although service design is an interdisciplinary field covering a variety of approaches (Kimbell, 2011), there is a focus on the practical development of a specific service or service system. Designing for service instead of service design has been used as an expression for an open approach where service designers view design as a platform for action involving different actors (Kimbell, 2011).

The network of actors or integration of offerings is another approach to marketing and business. This approach is represented by the research on business networks conducted by the Industrial Marketing and Purchasing (IMP) group in the field of industrial business in the 1980s (Turnbull, Ford and Cunningham, 1996; Ford and Håkansson, 2006; Håkansson, 1982; Ford, 1980). This direction of research emphasizes the relationships, interdependencies, and interactions between the actors of the network on an aggregate level (Ford, 2010). It is argued that both the buyer and the seller can take an active role. This is in contrast to viewing industrial buying behaviors as discrete purchases made by a passive market. The IMP group also argued that the processes of both the seller and the buyer should be analyzed

simultaneously. “Thus the unit of analysis for IMP is not individual actors, but the processes that take place between them in dyads, and on a network scale” (Ford, 2010:2). At the other extreme of managerial focus is the research on consumer cultures and practices that in essence emphasize aggregate consumer groups and collectives.

The focus of Consumer Culture Theory (CCT) is on the dynamic relationships between consumer actions, the marketplace, and cultural meanings (Arnould and Thompson, 2005). The emphasis is on consumers’ heterogeneous meanings and the diversity of overlapping cultural groupings (Arnould and Thompson, 2005).

CDL IN LIGHT OF OTHER SERVICE PERSPECTIVES

Figure 2 below was adapted from the original presentation of CDL (Heinonen et al., 2009; Heinonen et al., 2010) and depicts the connection between a service provider and a customer in a general sense. It is divided into the ‘provider’s world’ and ‘customer’s world,’ which are partly overlapped in the ‘interaction arena.’

The shaded horizontal zone in this figure illustrates one specific service that covers some pre-service and some post-service elements, connecting the provider’s business model and strategy through actions and interactions with the customer’s activities and experiences (ideally also moving in the reverse process). This process is illustrated in Figure 2 by ‘provider’s service context’ (focal provider’s processes, A), ‘interactive service context’ (interactive processes, B) and ‘customer’s service context’ (customer’s life or business, C). Figure 2 is a formal representation to enable an analytical discussion of the SL, SDL and CDL perspectives.

In terms of the customer’s world, CDL covers the whole area inside the dotted line and suggests that, from a managerial perspective, the company should ideally mirror this when creating their service offerings. At the same time, providers are enabled and restricted by capabilities, resources, business models, and strategies in their own world, which is represented by the second dotted line. In CDL, the customer’s logic is the key to understanding customers. It is assumed that each customer follows an idiosyncratic logic that is possible to identify and that customer logic can be categorized into a smaller number of logic types.

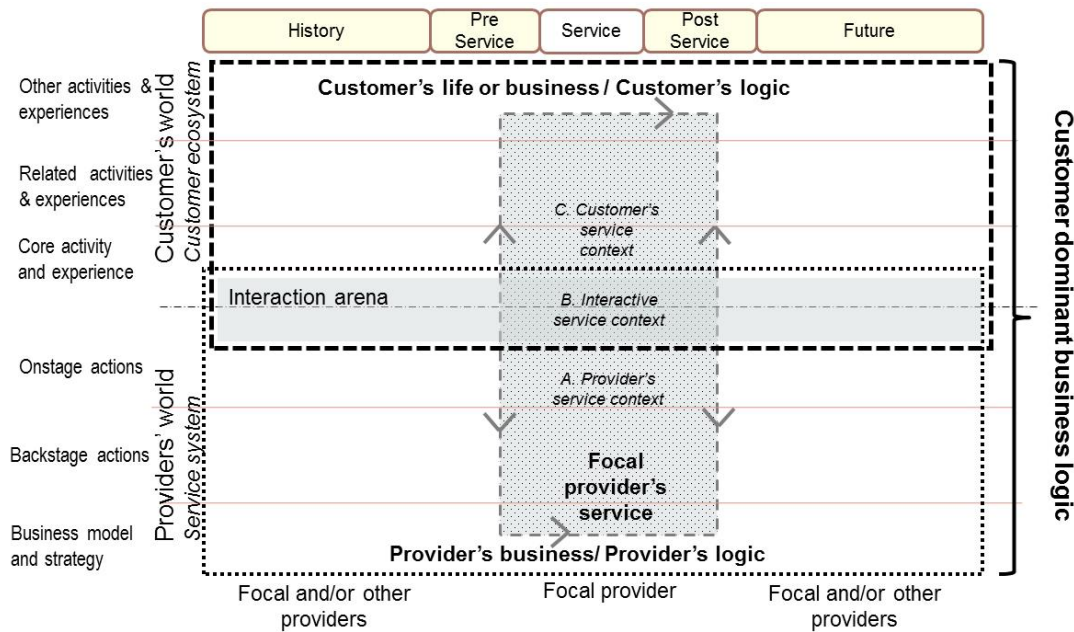


Figure 2. Customer dominant logic of service. Source: Heinonen & Strandvik (2015).

A differing view of interactions and co-creation divides the perspectives. SL and SDL would emphasize interactions because interactions are seen as the connection between the provider and the customer. As SL points out, it is the instances of interaction where the provider may influence the customer, and also adapt to the customer. Interactions are considered as designed, controlled, and recognized by the provider. CDL has a different view of the role of interactions, suggesting that although interactions are important, there is another form of connection that is described by the concept of ‘presence.’ SDL axiomatically states that the customer is always a co-creator of value. This implies a very broad view of the concept ‘co-creation,’ which is criticized and opposed by SL. CDL takes a similar position and poses that the term ‘co-creation’ should be reserved for instances where both parties are aware of the intent to co-create, otherwise the concept becomes meaningless.

SL has gradually refined its interpretation towards a more customer-centric understanding (Grönroos and Ravald, 2011; Grönroos and Voima, 2013, Grönroos and Gummerus, 2014) by introducing the notion of three spheres of interaction. SL emphasizes direct and indirect interactions between the service provider and customer. Service providers have the role of value facilitators and value is uniquely perceived and determined by customers. Value is viewed as being created in three spheres: the company sphere that is closed to the customer, the joint sphere that enables interaction and co-creation, and the customer sphere that is closed to the company. In the customer sphere, it is argued that customers interact with other customers and may thereby socially co-create value within their social ecosystems. These spheres correspond to the initial CDL characterization (Heinonen et al., 2009; Heinonen et al., 2010) with a division into the partly overlapping customer’s world and the provider’s world.

In contrast, CDL emphasizes all customer activities, both those that are related and those that are unrelated to the service provider. Instead, a broader scope on use is employed, meaning both physical and mental use. CDL is also not interested in the service alone, but in the customers' total system of life or business activities where firms, goods, and services become embedded. CDL distinguishes between the different roles of actors involved in the service and recognizes customers as the focal reference point. CDL suggests a customer ecosystem, or a system of different actors experienced and constructed by the customer. This ecosystem is constructed by one focal customer and includes the actors relevant for value emergence—a number of relevant service providers from multiple industries, other customers influencing the focal customer's experiences, and other actors in the customer unit that co-experience the service. The customer ecosystem does not consist only of persons and firms but also of immaterial resources such as hardware, internet of things, and cloud services. Therefore, this approach considers how service providers may fit into customers' lives or business and the business opportunities resulting from an understanding of the customers' ecosystem.

There are more similarities between SL and CDL than there are between SDL and CDL. SDL represents a systems dominant logic, where the interest is not on specific actors, but on the system itself. Consequently, SDL would not frame a situation as shown in Figure 2, but rather would argue that in addition to the customer and the provider there are other actors present that determine the process and outcome. SL has a managerial focus with particular attention given to interactions, which are viewed as incidents where the provider may influence customers. CDL is managerially oriented based on the idea that the key point is customers' logic, sensemaking, and experiences.

Each of these service perspectives would suggest slightly different interpretations and implications in any particular situation. All of the suggestions might simultaneously be valid—the key question is for what purpose a perspective is used. CDL is intended to provide managers with guidance to understand markets and customers.

ESSENTIALS OF CDL

We argue that CDL is distinct in comparison to other service and business perspectives business. These fundamental differences result in addressing marketing management issues in a novel way. For instance, the traditional service management literature assumes that service is largely controllable by the provider, whereas CDL posits that—in general—it is the customer who controls service situations. It is possible to argue that the aspect of control is an issue in many markets, and due to increasingly empowered customers (Seybold, 2001), this direction will most likely continue in the future. The emphasis on the service-provider interactions leads to a focus on instances where the provider has a direct contact point with the customer. In contrast, CDL does not emphasize certain contact points but rather the need to understand and explore customers' pattern of activities and idiosyncratic logic. This leads to a concentration on what kind of customer information is needed, how such information can be gathered, and how information should be interpreted—in other words, market research and customer understanding.

The five essential features of CDL presented below extend the studies by Heinonen et al. (2010) and Heinonen et al. (2013): 1) Business perspective, 2) Customer logic, 3) Offering, 4) Value formation, and 5) Context.

1. Business perspective

- CDL is a marketing perspective. The role of marketing ranges from a simple organizational function to the strategic foundation of a business. CDL takes this broad perspective and thereby transcends the limited functional view of marketing. CDL also takes a broad approach to the concept service. Service has different interpretations, ranging from the traditional view as the outcome of provider activities to more recent views of service as a business perspective. By definition, CDL covers both interpretations of service, and can be seen as a customer dominant logic of service. The term ‘dominant’ refers to the customer having a dominant role in the company. Hence, a company applying CDL allows its business to be dominated by customer-related aspects, rather than by products, service, costs, or growth. As such, customer dominant business logic takes a different approach compared to service dominant logic or service logic, which emphasize service.
- Key implications: For managers this means to continuously focus on understanding not only the customer’s goals and tasks but also their activities, experiences, and preferences. Future research is needed to consider differences between marketing perspectives and acknowledge the ontological roots of different concepts and vocabularies. A key issue is to challenge prevailing assumptions that are mostly provider-dominant.

2. Customer logic

- ‘Customer logic’ is the key concept of CDL. This idiosyncratic logic is the basis for customer’s actions, reactions, practices, preferences, and decisions. The term ‘customer logic’ captures the customers’ reasoning and their sense making about appropriate ways to achieve their goals and conduct their tasks. The logic is assumed to be rather stable and is based on a holistic gestalt representing the individual.
- Key implications: A key issue is understanding how the customer’s logic is materialized in the providers’ world through the design and provision of the offering, and in the customers’ world through the (potential) use of the offering. Future research is needed to develop methods and categorizations of customer logic. The idiosyncratic customer logic is different from the emphasis on aggregate concepts such as customer cultures, practices, and collectives, and traditional customer behavior and decision making research focused on specific purchases and specific products.

3. Offering

- In CDL, the concept ‘offering’ denotes what the provider offers and sells; and it includes established concepts such as product, service, solution, promise, and value proposition. The commonly used term ‘offering,’ emphasizes the distinction not between products/services or service (as a perspective), but between provider and

customer perspectives. The emphasis on the customer's perspective is important because what providers sell is not necessarily what customers buy.

- Key implications: When attempting to innovate offerings, managers can begin with the outcome that the customers envision in a certain context, rather than creating a proposition or promise representing what they themselves envision as an offering that could provide value. Researchers need to conceptualize the offering to represent both the customer's and provider's logics.

4. Value formation

- CDL views value as formed, not created, and it is based on use, including both physical and mental experiences. Value is experienced differently by the customer and the provider. It is not only based on interactions and interactions are not necessarily co-created. 'Presence' is introduced as a new concept seen as the basis for value formation. It shifts the focus from value formed by interactions to emphasizing the value of offerings that customers experience as mentally or physically present in their lives.
- Key implications: Understanding customer's value-in-use is important in order to manage providers' own value formation process. Providers may influence customers in many ways but have to do that in competition with other providers and their offerings need to be relevant to the customer. Value in use is formed in two separate but intertwined processes (the customer's and the provider's) and it cannot be captured by simple means. The focus of future research should on generic dimensions: content (what?), process (how?), time (when?), location (where?), and actor (who?).

5. Customer ecosystem

- Value in use emerges in a context. This context is based on the customer's ecosystem, which is defined as a system of actors and elements related to the customer that is relevant to a specific service. The customer's ecosystem includes service providers, other customers (individuals or businesses), other actors, and physical and virtual structures that are related to the service. Consequently, this concept is not merely a social value creation system. Customer ecosystems are not equivalent to service ecosystems. Service or service providers are at the core of service ecosystems, whereas customers are at the core of customer ecosystems. It is customers, not providers, who define the relevant components of customer ecosystems.
- Key implications: Further research needs to study provider's position and influence in the customer's ecosystem, since it can range from extensive to minor. Researchers can explore how customers' ecosystems differ from service ecosystems.

Customer-dominant logic represents a business and marketing perspective with the main argument that, from a business point of view, customers are the most important stakeholder group. Without customers, there is no business. Marketing is considered a strategic and holistic part of the company. This is in line with the revenue management view proposed by Strandvik et al. (2014), which is in direct contrast to traditional views both in research and

business that consider marketing a mere function of business. The term ‘customer dominant’ means that customer issues drive company thinking at all levels, from board room meetings to interactions with customers, production activities, supply functions, and organizational issues.

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REFLECTIONS ON THE NORDIC SCHOOL

PERSONAL REFLECTIONS ON THE NORDIC SCHOOL

NORDIC SCHOOL

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Anyone who has been involved with serious research on service marketing and management will have been influenced by findings from the Nordic School. I first became aware of the Nordic School at one of the very early Frontiers in Service conferences when they were held at Vanderbilt University in Nashville, USA. At first, I perceived that it represented a geographical distinction; a reminder that research was being undertaken in regions outside of the USA. As I read more and more papers emanating from the Nordic School, and regularly attended the main service-related academic conferences, I realised that there was a distinctive Nordic School approach to service research, one with which I could readily identify. In preparation for this commentary, I spent time writing down the words and terms that captured my views on the Nordic School approach. At this stage, I deliberately avoided reading the review paper written by Gummesson and Grönroos (2012), in order that I could write a personal account. So, here, in no particular order, are my views on the features that define the Nordic School.

First, the words belief and bravery were juxtaposed in my scribbles. Underlying Nordic School scholarly work is the view that service researchers should avoid focusing on small-scale, immediate problems with premature modeling and hypothesis testing, and be concerned with larger problems that require clear and well-defined constructs. Many of the Nordic School papers are conceptual; most are thought-provoking. They take the field forward in thinking. Ideas are put to the test through collaborative case studies with business and industry partners. It is very rare that you will find outputs from the Nordic School which adopt a constraining influence on constructs by treating them as four or five Lickert-scale evaluated statements in a questionnaire. I sense and share the frustrations of Nordic School representatives as they sit through conference presentations by bright PhD students and early career researchers who seem impelled to spend the majority of the presentation time on tables and tables of statistical measures. I sit there and grin and bear it. However, several times, I've admired the courage of Nordic Scholars, who, in a very polite way, advise the presenters to "Whoa!, slow down, think more of the constructs in the model, and the wider service ecosystem. Statistical significance is not a substitute for actual significance and originality. It is probably too early to attempt to measure concepts that are not fully understood". The bravery is greater when the critiques are given of similar presentations and papers offered by well-established and well-known researchers.

Other words that immediately sprang to mind were 'productivity' and 'family'. One can guarantee that, every year, there will be several journal publications by the Nordic School, largely in the service and B2B literatures. These are led by the well-known names, who have been recognised by lifetime contribution awards. From the early days of perceived service quality, relationship and internal marketing, to the present day discussions on value creation and co-creation and the service-dominant logic, there is always a stream of Nordic School

research publications, many of which offer challenges to the prevailing wisdom, and offer alternatives. Most notable, at the current time, is the willingness by newer generations of Finnish and Swedish scholars to engage actively with the debates surrounding the service-dominant logic, and put forward a customer-dominant logic perspective and the consequences of applying it (Heinonen et al., 2010). I am sure there must be some competition between individuals and groups associated with the Nordic School, but ‘family values’ and cooperation seem to dominate the approach. It is my distinct impression that PhD students, nurtured through Nordic School institutions, possess the same family values, and are as loyal to the approach as their illustrious predecessors. In addition, there is evidence of increased cooperation and publications with like-minded scholars from outside Scandinavia and Finland. As they say, the future is bright.

Having offered the thoughts in the previous two paragraphs, I finally turned to Gummesson and Grönroos (2012), and was also directed, via Google Scholar, to PowerPoint slides prepared by Grönroos on the Nordic School of Thought. Between them, they articulate the essence of the Nordic School far better than I have above. I guess the plea to “never be restricted by existing frameworks, models or concepts, or by dominant scientific approaches and methods” and the urge to ‘think freely’, stated in the slides, is the best summary of the Nordic School (family) motto. Let’s hope that, in the future, these encouragements should not remain exclusive to one School.

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THE NORDIC SCHOOL

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In the field of management of services, what is noteworthy with the Nordic School is the clarity of its positioning: since the beginning it has been devoted to services, tracking their specific problems, getting a deep understanding and conceptualizing them; then, when it was possible, suggesting solutions to both academic community and managers of services businesses.

This “New Academic Field” (Berry and Parasuraman, 1993) originated some forty years ago both in the US and in Europe. In the US several institutions were very active, namely Harvard Business School and Marketing Science Institute, American Marketing Association, and Arizona State University with the set up of the First Interstate Center for Services Marketing; they supported the efforts of a group of academics (around thirty, I would say) to pioneer the field. At the same time in Europe, a few academics (a dozen?) explored the same field; they were located in Scandinavia (Nordic School), in France (Aix en Provence) and at a lesser degree in the UK.

Two eminent personalities are at the origin and still animate the Nordic School: Christian Grönroos, from the Hanken School of Economics in Finland, and Evert Gummesson from the Stockholm Business School at Stockholm University. The two of them have worked very closely with the same obstinacy on services and marketing, sharing the opinion/conviction that services differ deeply from mere boxes of Campbell soup... to recall L. Shostack’s word. Their work and the Nordic school in general is highly imbedded in basics on services, intangibility, processes, systems approach, customer involvement in production, inseparability in services situation of the three disciplines, marketing, operations and organizational behavior. Most of their primary contributions are based on several skills: the ability to develop strong conceptual models first, that shape and frame their work as well as those of other academics in their own research; second their ability to choose the most relevant issues to work on at a point of time, to name a few, services quality, relationship marketing, services operations, industrial and B2B marketing, and last but not least marketing many to many and the service logic as the alternative to the service dominant logic. These two capacities would not be much without their ability to develop strong links with the business community as well as the academic one on the two sides of the Atlantic and more recently with Asia; this means tremendous energy to have people share their convictions, findings and recommendations, a lot of writing, a lot of traveling!... It comes as no surprise that they are recognized leaders in the field of services and the Nordic School through its academics and researchers a world center for advancing the services knowledge.

Today, the future for Nordic School seems to be well established; two institutions created with the impulsion of the pioneers are now mature research centers: the Centre for Relationship Marketing and Service Management, Hanken Business School, Finland and the

Service Research Center (CTF), University of Karlstad, Sweden, with the now famous series of international Quality in Services conferences, QUIS. Both maintain and transmit the vision and values of the Nordic School: services that still develop in the western economies as the focus of scientific research, conceptualization of innovations in services, identification of relevant and crucial issues, education and dissemination of knowledge and findings.

Facing such achievements, I can only express my deep admiration for the Nordic School, whose birth I witnessed back in the 70's.

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THE NORDIC SCHOOL OF SERVICES

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I was a PhD student at Manchester Business School when in 1992, and thanks to the sponsorship of The British Council, I had the opportunity to visit HANKEN for the first time. I attended a service management research symposium organized by Professor Christian Grönroos. It was my very first experience in attending an international academic conference. It was a significant experience in my academic career. I was exposed for the first time, to the scrutiny of my own ideas regarding service management, in the context of the beginning of my doctoral studies. I came back to Tecnologico de Monterrey in Mexico when I finished my PhD and started working on developing the service management academic field at EGADE Business School. I started traveling to international academic conferences to present some initial contributions, including my permanent call for the need to start doing service research in emerging countries. This and other of my research interests, gave me the opportunity to start visiting on a rather regular basis some of the Scandinavian countries, mainly Sweden and Finland.

During these 22 years, The Nordic School of Service has left its footprint on my professional and personal development. I have been exposed to rich intellectual discussions with faculty members, masters' students and PhD researchers. I have attended a number of research presentations and become an avid reader of articles and books written under the Nordic School tradition. As a result, I have experienced a continuous learning about their conceptualizations, theories, models, methodological approaches, findings and valuable contributions, many of which are foundational for the development of a general theory of service. Thanks to that, I have been able to transmit the value of the Nordic School to my many students in different countries over the years. And, most importantly, I have learned and applied its core principles into my academic and personal life. The single most valuable learning of all, has been daring to stand out, to think, to express yourself and to act differently from the rest. The right and freedom to be always yourself, without being afraid to be criticized or attacked for being different, for stepping aside from the majority. For me, this is the essence of the Nordic School approach.

As for the future of service research, this spirit should enlighten a whole new generation of young researchers, coming not only from traditional Anglo-Saxon countries, where most of the service research has come from for the last forty-odd years, but also from the large number of emerging nations which are growing and developing rapidly in many respects, and have very important contributions to make to service research, not as a huge segment of aid-recipients and passive consumers; but as active, intelligent, co-creators of innovative, entrepreneurial business models, oriented to solve basic problems in their daily lives. The core essence of the Nordic School of Service is certainly vital for the success of this new era of service research in the years to come.

Thanks everyone at HANKEN for this long-term, rich learning experience, and for your kind invitation to be a member of the Nordic School of Service!

REFLECTIONS ON NORDIC SCHOOL

THE ROLE AND INFLUENCE OF THE NORDIC SCHOOL

AN AMERICAN COMMENTARY ON THE NORDIC SCHOOL OF SERVICE

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The Nordic School of Service profoundly influenced service thinking and service research in Northern Europe and throughout the world. In fitting Nordic fashion, Christian Grönroos and Evert Gummesson invented the idea of the Nordic School in a sauna. This new brand was a clever way to differentiate their efforts from scholars in North America who outnumbered them. In a recent personal retrospective, they carefully reflect on the history and significance of the Nordic School they created (Gummesson and Grönroos, 2012).

In that spirit, my comments are written from the personal perspective of an American who was fortunate to meet Christian and Evert at the American Marketing Association (AMA) Service Marketing Conferences in the early 1980s. In the more than 30 years since that early contact, our friendship grew through repeated contacts at service events somewhere in the world. I am especially happy to say that their Nordic School ideas have influenced my work ever since those early contacts. Their perspectives on service have always been refreshing.

By 1993, Grönroos and Gummesson ranked in the top five most prolific services authors in a service history I wrote with Steve Brown and Mary Jo Bitner (Fisk, Brown and Bitner, 1993). That service history was based exclusively on English language sources, so their ability and willingness to write in English is an essential reason their influence quickly reached beyond Northern Europe. In 2000, Steve Grove, Joby John, and I featured Grönroos and Gummesson as two of ten service experts in our book *Services Marketing Self-Portraits* (Fisk, Grove and John, 2000). They were the only non-American experts.

With these comments, I examine three key points regarding the contributions of the Nordic School of Service: 1. The Nordic School changed the history of the service field, 2. The Nordic School took a different approach to theory and method, 3. The Nordic School will continue to change the future.

THE NORDIC SCHOOL CHANGED THE HISTORY OF THE SERVICE FIELD

The different path chosen by the Nordic School profoundly influenced the evolution of the emerging service field. The United States academic field of marketing in the 1980s was inward looking and did not know what it was missing. With 50 states all speaking English and most scholars rarely leaving the U.S, there was little understanding of scholarly trends beyond the borders of the U.S.¹ When Grönroos and Gummesson first started speaking at the early service conferences, they were the first Nordic scholars that the American scholars in attendance had met.

¹ America could be described in the early 1980s as nearly a monoculture with little variety in many things. For example, it was then a country of bland white bread, bad coffee and beer so watery that it was only fit for canoeing.

Indeed, at the time, American marketing academics had virtually no contact with non-American scholars. Meeting non-American academics was such a novelty in 1981 that the editors of the first AMA Services Marketing Conference mentioned it in their preface: “In addition, there were a significant number of participants from areas outside the United States” (Donnelly and George, 1981:vii). As an attendee myself, there were probably no more than ten non-Americans in attendance and some were English speaking from the UK and Canada. The only other scholars on the program from a non-English speaking country were Pierre Eiglier and Eric Langeard from France. While I would have difficulty describing the non-American attendee number as significant, I would say that it was exciting to meet service scholars from other countries. Initial conditions often matter in profound ways!

Grönroos and Gummesson launched their Nordic School effort in 1982 with a presentation to the second AMA Service Conference (Grönroos, 1983). Their establishment and branding of the Nordic School of Service as a distinctive alternative perspective was very effective. Instead of a U.S. dominated service field, the service field evolved with a strong global perspective from the outset. By offering a clear alternative to the perspective shared by the large number of American marketing scholars, the Nordic School changed the fate of the entire service field.

When I created the AMA Services Marketing Special Interest Group known as SERVSIG in 1993, the emerging global service field was very much on my mind. Because of scholars like Grönroos and Gummesson, I sought from the beginning to make SERVSIG a global group despite its official home within the AMA. An even more significant global effort was the creation, with Liam Glynn in 1998, of the SERVSIG International Research Conference. The first conference was held in 1999 in New Orleans with the brand promise that a different school in a different country would host the conference every two years (Fisk and Patrício, 2011). We also promised not to repeat a city but have actually never repeated a country. Notably, the conference has never returned to the United States, despite repeated entreaties from a few American SERVSIG members for a return.

From my perspective, the Nordic School of Service rescued the new American service scholars from the insular complacency they would have otherwise endured and set the entire service field on a very global path.

THE NORDIC SCHOOL TOOK A DIFFERENT APPROACH TO THEORY AND METHOD

The different approach to theory and method taken by the Nordic School of Service is well known to service scholars today. As an old-timer, I was particularly influenced by their early descriptions of what made the Nordic School different. In the many years since, it seems to me that there are two key truths about the Nordic School that endure. First, theory (especially theory generation) matters much more to the Nordic School than it does in the typical American approach to research. Second, the Nordic School is open to a much wider range of research methods that might help discern new insights to service phenomena. As a result, the

Nordic School pursued multi-method approaches long before most American researchers. Third, the Nordic School always took a broader perspective toward service phenomena.

Cristiana Lages, Cláudia Simões, Werner Kunz and I documented the history of the service marketing research communities (Lages et al., 2013). That research included informal conversations with Grönroos and Gummesson. They emphasized, "...the Nordic School of Service was more interested in theory generation and in-depth understanding rather than theory testing and statistical evidence, and it relied on multi-methods such as grounded theory, narrative research, action research, and anthropology/ethnography in addition to case-study research." (Lages et al., 2013:276).

My summary of the differences between the Nordic School perspective and the American perspective is that the Nordic School saw service phenomena in a very holistic, organic way whereas the American perspective saw service phenomena in a very reductive, mechanistic way. This led to many interesting early research differences. For example, the Nordic School sought to investigate networks of service relationships where many American researchers were researching individual service encounters.

THE NORDIC SCHOOL WILL CONTINUE TO CHANGE THE FUTURE

If the Nordic School of Service did not exist, the global service field might have evolved very differently. It might have become a situation where every country or region evolved into independent and disconnected service fields. The worst-case scenario would have been that the U.S. somehow dominated the service field as it had with prior marketing related subfields. Instead, "...early service scholars from the Nordic and North American perspectives asserted their unique perspectives, but such perspectives were met with friendly tolerance rather than hostility." (Lages et al., 2013:285). Fortunately, the path of tolerance quickly became the norm in the service field. What is particularly healthy about how the two perspectives developed is that there were never any protracted scholarly battles. The discussions at conferences and in journals were respectful of different views, which I think is why the two perspectives have more in common today. If a battle had developed, then it could have lead to polarized debates that caused the two perspectives to diverge further away from each other.

In summary, the Nordic School of Service changed the history of the service field and will continue to change the future of the service field. At this point, I must point out an essential truth about Grönroos and Gummesson as the co-founders of the Nordic School. They correctly noted the importance of the researcher in their reflections (Gummesson and Grönroos, 2012). As an outside observer who has known the two of them for more than thirty years, it must be said that the success of the Nordic School has been because of the initial conditions they created. They share tremendous persistence, intellectual curiosity and a delight in arguing about ideas. The global service field will continue to be strengthened by the Nordic School imprint on the initial conditions and the future.

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THE NORDIC SCHOOL OF SERVICES: A REVIEW

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‘North Star’

“My eyes followed its pointing to Polaris, the North Star, and a wave of easing came over me. The star felt steady and reassuring, something you could count on... When you find your North Star, you know where you’re headed... And you can dream bigger dreams and take more chances in life since if you lose your way, you’ve got a beacon to home in on.”

Dr. Rick Hanson

We are pleased to undertake a brief personal reflection on the Nordic School of Services, a body of work that has had a strong influence on the research of numerous scholars in the related areas of services marketing, relationship marketing and service science. The Nordic countries represent a region in the most Northern part of Europe, which has much in common in their way of life and social structure, despite language differences. Nordic countries do not comprise a separate political unit, but they co-operate—through the mechanism of a coalition—The Nordic Council.

For scholars in the Nordic region, the wider European region, and increasingly across a global footprint, the Nordic School of Services has represented a ‘North Star’ to help guide their intellectual endeavours. As we sit looking at the celestial heavens in Sydney, Australia, close to the most southern extremities of the world, we are struck by similarities between the Nordic region and the Antipodes and how the world has become such a small planet. We view the Nordic people as steady and reassuring –people you can count on—like the North Star. For us, the Nordic personality is personified by independence, practicality, strong character, a certain (usually polite) bluntness, a willingness to question the status quo, and an ability to think—and dream—big! We view these distinctive characteristics as important factors understanding the Nordic School’s character and uniqueness. We are heartened that on such opposite extremity of the planet we share some of the same characteristics—and a similar philosophy to the Nordic School. It is with these reflections we make some short comments on the Nordic School of Services and how their body of work has been increasingly accepted and shared across the globe.

For some, it may come as a surprise that the Nordic School of Services has a long tradition for the fairly young discipline of marketing and especially within marketing in Europe. By the late 1970s work on the Nordic School tradition was already well under way. An early review of the prior contributions of the Nordic School of Services, in the field of service management and quality, was made by Christian Grönroos some 25 years ago (Grönroos,

1991). This early summary of Nordic research in marketing surveyed the early work of key figures in this movement, including scholars such as Grönroos (1978), Gummesson (1979), consultants such as Normann (1984), and other scholars including Edvardsson (1988). The School recognised the writings of practitioners such as Jan Carlzon famous for his ‘moments of truth’ concept (Carlzon, 1987), which lives on today as the ‘customer activity cycle’, or ‘the customer journey’. These innovators were not the only ones in the Nordic region with an early interest in services marketing, or fields related to it, but they were certainly among the most prominent. Grönroos (1991) provides a summary of other contributors. Some, including Normann and Carlzon were not directly associated with the Nordic School of Services brand, but their work appeared at the same time with similar ideas, so it is appropriate to include them in this review (Gummesson and Grönroos, 2012).

The Nordic School of Services does not operate as a single entity, but like the Nordic countries, it is a coalition – a coalition of independent, but like-minded scholars. Although many are involved in the Nordic School of Services and its subsequent development, the principal architects of this School are Christian Grönroos and Evert Gummesson. As a consequence we reflect especially on the work of these scholars. However, we must acknowledge the work of many others in the endeavours of the Nordic School of Services and we extend our commentary to briefly discuss other scholars including Bo Edvardsson and Kaj Storbacka.

In this review we consider the Nordic School of Service’s contribution in three closely linked areas: services marketing and management; relationship marketing; and service science. We limit ourselves to making comments on just a few aspects of work in each area. These areas can be conveniently grouped under the heading of ‘service’, rather than ‘services’, a distinction we comment on shortly. We then reflect on methodological contributions as large body of the Nordic School’s work is concerned with theory building including contributions to the field of qualitative research, interactive research with managers and consortium research. Finally, we then point to the importance of scholarly dissemination and branding; and in particular development of a brand that helps facilitate the dissemination of acceptance of innovative scholarship - ‘The Nordic School of Services’.

DEVELOPMENT OF THE SERVICES MARKETING FIELD AND THE NORDIC SCHOOL OF SERVICES

Although there are earlier contributions, substantive academic interest in services marketing can be traced to the 1970s, with William George completing the first PhD at the University of Georgia in 1972. Interest in services marketing arose in several geographic areas. For example, in North America scholars at several locations started to develop an interest in services leading to the American Marketing Association (AMA) sponsoring the first services marketing conference in 1981. In France, in the mid-1970s, scholars Langeard and Eiglier launched the first conference on services marketing and proposed the concept of ‘servuction’, or the production of services. In the Nordic region, Grönroos and Gummesson met, in 1976, leading to a collaboration of services marketing that has continued over some four decades to

the present time. This collaboration led to the establishment of CERS - the Centre for Relationship Marketing and Service Management at Hanken School of Economics in Finland and the Service Research Centre at Karlstad University in Sweden in the 1980s.

The work of the Nordic School of Services has evolved over the last four decades and is summarised in the current volume and in articles (Grönroos, 1991; Gummesson and Grönroos 2012). A characteristic of much of the Nordic School's work was to challenge conventional services theory and thinking. Especially telling was Gummesson's early observation with respect to selling consulting services: "I found it did not at all work like the marketing textbooks said; in fact, the books lead you far astray." (see Berry and Parasuraman, 1993). For us, two characteristics of the Nordic School's research stand out. First, it is pragmatically informed by management practice and interaction with executives. Grönroos has had extensive interactions with managers through speaking engagements and consulting and Gummesson worked as a management consultant before moving to academia. Second, its research has a broader management orientation, as opposed to a narrow functional marketing perspective. At a relatively early stage, scholars concluded that, in service businesses, functional activities are much more tightly integrated than is typically the case in goods-based factoring businesses. This recognition helps spurn a multidisciplinary and cross-functional focus on services marketing, motivating scholars from different disciplines to work together.

SERVICES MARKETING AND MANAGEMENT

For us, the most significant breakthrough occurred when scholars started to recognise that many of the marketing and management insights and concepts that came from studying enterprises in traditional service industries were equally applicable to product businesses. Because of the nature of service businesses these insights simply *were more transparent*. However, once exposed, it was clear these insights were applicable *across industry*. As Grönroos (2000) notes with respect to this *service perspective* on business: "It is not only about how to manage service firms from a market oriented point of view. Rather it offers a management perspective for any type of organisation – service firms, benefactors of physical goods, organisations in the public sector". Thus a distinction started to be made between terms 'service' and 'services'. *Service* represents a perspective on business and service activities as mechanisms for service, a perspective enlarged on at length in a later seminal paper by Vargo and Lusch (2004). *Services* encompass both businesses and non-profit entities offering services, as well as the service component of traditional businesses such as the manufacturers of goods.

An important impetus to the global dissemination and acceptance of this very different service perspective was engagement with the North American academic community and the dissemination of thought leadership through books—a published medium that was more readily available and more acceptable to managers. The Nordic School scholars were willing to travel overseas to share their work at events attended by North American researchers including early AMA Services Marketing conferences. Grönroos created interest amongst the

North American community through publication of his work, *Strategic Management and Marketing in the Services Sector* (Grönroos, 1983) by the Marketing Science Institute in the US. In retrospect, for the highly US centric North American marketing community to have endorsed a publication by a Northern European scholar at that point in time, this achievement seems quite remarkable. Once a substantial amount of related research output had been undertaken, Nordic School scholars followed the (more) European tradition of making academic research accessible through publishing of books and managerially-oriented reports. Grönroos published one of the earliest books on ‘Service Management and Marketing’, interestingly published by Lexington, a US publishing house (Grönroos, 1990). This book is now in its third edition. Gummesson published and promulgated his early work through reports and monograph and at management conferences. Later this work appeared more in scholarly journals.

In looking back to the earlier days the Nordic School of Services we highlight several insights that are obvious and taken for granted today, but were important in the development of service marketing thinking. First, is the understanding that ‘the service sector’ comprises not only those companies that sell traditional services and recognise the true extent of services within industry. Today, the traditional services sector represents nearly 80% of the GNP in countries such as the United States, the UK and France and a world average of over 63%, including less developed countries (Central Intelligence Agency, 2011). However, traditional and archaic definitions of the service sector are largely irrelevant, for they exclude the services component of other forms of business. The ‘real’ service sector is the vast majority of most economies. The Nordic School of Services focused on an area critical to the world economy.

Second, in the pre-1980s period, academic study of the services marketing field was dominated by legacy approaches that were more relevant to high demand consumer goods. A major limitation of consumer goods markets is that little interaction occurs between the producer and the consumers. With the introduction of services marketing came recognition that the ‘Four Ps’ approach to marketing is extremely limited in perspective. From an early stage, the Nordic School operated on the basis that services marketing needed to be considered in concert with services management and involved a recognition that marketing, operations and human resources need to be closely integrated.

Third, the so-called “IHIP” characteristics of services (intangibility heterogeneity, acceptability and perishability), were tantalising as a way of explaining differences between products and services. However, closer scrutiny of these characteristics revealed that they were inadequate for describing services. Lovelock and Gummesson’s (2004) paper had a major impact on the recognition that these characteristics represent only some of the dimensions that may help define a service, or any other offering.

RELATIONSHIP MARKETING

Since its beginnings the Nordic School of Services have emphasised interactions and the long-term relational nature of services marketing (e.g. Gummesson, 1977). However, in this early period, the Nordic School used terms such as buyer-sell interactions and interactive marketing (Grönroos, 1980) and customer relationship life-cycle (Grönroos, 1983) to describe a relational approach. In the services marketing area, researchers at Texas A&M University were also studying the applicability of relationship marketing to services. Berry (1983) was one of the earliest to draw attention to the topic using the term 'relationship marketing'. Berry's use of the specific term relationship marketing raised considerable interest amongst marketing scholars, especially those with an interest in services marketing. However, the rise of relationship marketing in the 1980s was not so much a discovery as a rediscovery of an approach that has long proved to be the cornerstone of many successful enterprises. Many of the ideas behind relationship marketing had been addressed previously, but not under the more contemporary heading of relationship marketing. The Nordic School was quick to point out that this concept was not new. As Grönroos (1994) illustrates there are numerous historical examples of very early relationship marketing practices. Grönroos used old Chinese and Middle Eastern stories to demonstrate that relational approaches have existed since the dawn of commerce.

As interest grew in relationship marketing around the globe, different approaches to the study of the topic developed. In an early review of relationship marketing scholarship, Coote (1994) identified three broad approaches to relationship marketing, all of which have different emphases and scope. He termed these alternative perspectives of relationship marketing the 'Nordic approach' (e.g. Grönroos, 1994; Gummesson, 1987); the 'North American approach' (e.g. Berry, 1983; Levitt, 1985) and the 'Anglo-Australian approach' (e.g. Christopher, Payne and Ballantyne, 1991). Omitted from Coote's review was a consideration of the IMP Group's work on industrial markets, which is more closely related to the dyadic customer-firm focus of the North American approach, but does involve a consideration of interactions in networks. Coote's review of alternative approaches to relationship marketing illustrates key differences in studying the domain of relationship marketing. The North American approach emphasized the relationship between the buyer and seller in the context of the organizational environment. However, the Nordic School's approach (and the Anglo-American approach) adopted a much more expansive view of the actors involved in relationship marketing.

By the mid-1990s, proponents of the Nordic School of Services had made major advances in conceptual development of the field of relationship marketing. The coverage in their work is explicit in definitions from this period. Gummesson (1995) succinctly defined relationship marketing as marketing seen as interactions, relationships and networks. Grönroos (1997) defined relationship marketing as "the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfilment of promises." By stepping away from the mainstream and 'the shackles of the dyadic approach' (Storbacka et al., 2012) that dominated much of the

North American approach to relationship marketing, the Nordic School of Services created substantial innovation and offered a very different approach.

In character with the Nordic School's approach to research, the contributions to relationship marketing made by different scholars were complimentary, but highly individualistic. A substantial amount of this work has been published in several books on relationship marketing. Gummesson's influential book *Total Relationship Marketing*, now in its third edition (Gummesson, 2008) takes a much broader and ground-breaking perspective on relationship marketing because of its extended consideration of actors and relationships beyond traditional stakeholders. An earlier journal article by Gummesson (1999) on relationship marketing has, as the subtitle: "Experimenting with a Synthesis of Research Frontiers". This represents a concise description of the thrust of his work on relationship marketing, which has since been extended, opening up new thinking in this area.

In 2013, Grönroos' contribution to service scholarship was further recognised when he became the first non-North American scholar to become part of the *Legends in Marketing* series developed by series editor Jagdish Sheth. Volume 5 of the series, *Relationship Marketing*, edited by David Ballantyne (2013) provides a collection of 14 articles on relationship marketing written by Grönroos and colleagues within the Nordic School. This publication demonstrates the substantial scope of his work in terms of breadth and depth. This work on relationship marketing (RM) attracted many others within Hanken, and in the Nordic region more generally, to work in this area. This work also included customer relationship management (CRM) which Gummesson (2008:7) defines as "the values and strategies of RM - with special emphasis on the relationship between the customer and supplier – turned into practical application and development on both human action and information technology". Some Nordic School scholars focused specifically on CRM. For example Kaj Storbacka, formerly a Ph.D. student of Grönroos' and now a Professor at the University of Auckland Business School, was an early innovator in CRM. Storbacka, together with his colleague Jarmo Lehtinen, published an early important book on CRM (Storbacka and Lehtinen, 2001). This latter work takes a strategic view of CRM in contrast to the more common current managerial perception of CRM as a tactical support tool. Both Storbacka and Lehtinen, like Gummesson, combined careers in consulting and academia, bringing together an industry-informed managerial perspective to their work. Amongst this very substantial and growing body of work on relationship marketing, we comment on two areas, which provide examples of originality and innovation in this domain—those that have been influential to our thinking and that of others.

The first area involves the Nordic School of Services' addressing a much broader view of what constitutes market relationships. In contrast to North American focus on the dyadic customer-firm relationships, early research in relationship marketing within Europe and elsewhere recognised the importance of considering multiple markets (e.g. Christopher, Payne and Ballantyne, 1991). Gummesson (1999) extended early conceptions of multiple markets in relationship marketing to develop a much broader and comprehensive classification system of market relationships, consisting of 30 relationships, or 'the 30 Rs'. This work, which has been progressively developed over the last decade and a half, has been

especially valuable as research the field of service has shifted to focus more closely on service science and service ecosystems.

The second area to the Nordic School's contribution, addresses the complex issue of 'return on relationships' (ROR). Grönroos and Helle (2012) adopt a creative approach to the topic considering 'provider ROR', 'customer ROR' and 'reciprocal ROR'. This work suggests a shift in thinking from regarding customers as assets to "understanding and measuring relationships between business parties as an asset." In his book, Gummesson (2008) devotes a full chapter to marketing metrics and return on relationships. He reviews current thinking on marketing metrics and points to the future potential for measurement of 'return on management' and 'return on nonmarket relationships' (mega and nano relationships). These contributions are important as they shift narrow perspectives of customer value to broader considerations of the value inherent within a network of relationships.

SERVICE AND SERVICE SCIENCE

By the start of the new millennium the field of marketing in general, and our understanding of the role of service, started to reach greater maturity. The research that progressively evolved in services marketing, relationship marketing and customer relationship management had grown into a very substantial body of literature. It was clear, at least by some scholars, that some synthesis and consolidation was needed. However, it was not until Vargo and Lusch published an article in the *Journal of Marketing* that attention was focused on consolidation of somewhat disparate service-related concepts (Vargo and Lusch, 2004). The article by these authors, together with commentaries on the article by eight leading marketing scholars, received considerable attention. As Gummesson (2008:10) observed "many of the scattered thoughts from the past began to fall in place." Ballantyne and Varey (2006) make a similar observation, highlighting how this body of work skillfully brought together earlier disparate marketing concepts, ideas and perspectives representing an approach – service-dominant logic (or S-D logic) – that challenges many of the assumptions of traditional marketing theory and practice. As this work has developed there appears to be growing support for the use of the term 'service science' as an umbrella term to encompass 'service' and 'service-related logics'. Maglio and Spohrer (2008) propose service-dominant logic as a cornerstone to the emergence of service science, providing relevant perspective, language and worldview.

Many of the ideas within Vargo and Lusch's work were consistent with, and built on, previous research undertaken in the Nordic School of Services. Given that the Nordic School scholars had been active in this area for a substantial amount of time, they were called on at an early stage to provide various commentaries on S-D logic (Grönroos, 2006; Gummesson, 2004; 2006). Within a relatively short period of time these scholars, and others within the Nordic School, had produced a substantial amount of literature in service science. By 2013, an entire book was devoted to Grönroos's work on service logic (Strandvik, 2013). As Gummesson's work developed, he started to view relationships, networks and interaction as part of a potential future grand theory of marketing. He argued that, amongst all the

phenomena and concepts in marketing, these ones stand out as more generalisable than others (Gummesson, 2006). We comment on just two contrasting contributions that are significant for us in very different ways.

First is Gummesson's integration of his own body of work, developed over two or more decades, with the debate on service science. He also provides succinct descriptions of its elements in a way that is accessible to students and managers—for some of the concepts underpinning this area are not too readily understood—especially by managers. An example of this is the discussion in Gummesson (2008:10-11) where he concisely explains: how goods/services are replaced by the notion of service; the idea of the value proposition, an explanation of operand and operand resources; and a discussion of co-creation of value, networks, as well as reflections on marketing definition—all in two pages! For us, summarising complex ideas and explaining difficult concepts in simple language is potentially more impactful than impenetrable journal articles.

Second is Grönroos' more recent work on service logic, value creation and co-creation (e.g. Grönroos, 2008; 2011; Grönroos and Voima, 2013). As authors with a strong interest in service science and co-creation we find this work of Grönroos and his colleagues especially intriguing. Of particular interest, is their shift in the focus of value creation and co-creation from the firm perspective to the customer perspective. As Grönroos and Voima (2013:133) note: "Analysing value creation and co-creation from the customer perspective thus might support a systematic, analytical definition of the scope, locus and nature of value in its creation and co-creation." By exploring what they term the 'provider's sphere', the 'customer's sphere' and the 'joint sphere', they provide an understanding of the role of both the customer and provider in value creation and co-creation.

METHODOLOGICAL CONTRIBUTIONS

Some commentary on the Nordic School of Services' methodological contribution to marketing should also be made. Much of the Nordic School's research is unashamedly conceptual and theoretical, but at the same time grounded in practice that is relevant to managers. For us, whose former home is at the Cranfield School of Management at Cranfield University, a pragmatic UK business school that generates most of its own income, we applaud the overall direction of the Nordic School's approach and its methodological contribution to the field. The Nordic School's approach aligns closely with our view that too little research is pragmatic, relevant and applied. This does not mean that quantitative research is not relevant, or is not used, within the Nordic School. However, the philosophy of this School reflects their priorities, which are based on a belief that action research, case study research, and interactive and interpretive methods may yield new theoretical insights that better advance service marketing thinking.

Much of the Nordic School's research has focused on conceptual work and theory building, putting aside conventional theory. This work embodied action research, case study research, and interactive and interpretive methods. To us, what has greatly facilitated the thought

leadership process within the Nordic School of Services, is the interplay between academia and industry. Scholars' experience in working closely with managers, ideally combined with prior practical management experience working in industry, can substantially enhance insights into what is important and what methodologies might be applied to more successfully address specific research questions. We highlight two areas of methodological contributions from the Nordic School that we believe need greater attention from marketing scholars: interactive research and consortium research. We single out these methodologies as we have benefited from their use in our own research and because we consider they have much greater potential to be used in applied research in the future.

Two scholars from the Nordic School, Gummesson and Storbacka, have been pioneers in advancing interaction research and consortium research respectively. Both these scholars share a common background of combining business and management consulting experience, part-time professorships whilst continuing to work as consultants, and subsequently moving to full-time academic careers. Gummesson has pioneered many developments in qualitative research (e.g. Gummesson, 2000) including the concept of 'interactive research' with managers, which originates from a viewpoint that "interaction and communication play a crucial role" in the stages of research and that testing concepts, ideas and results through interaction with different target groups is "an integral part of the whole research process" (Gummesson, 2002:345). His work provides a detailed explanation of this approach, including its methodological subcomponents (Gummesson, 2000; 2002; 2005). Storbacka has pioneered consortium research with his colleagues since 1996. This research approach involves a structured approach to collective theorising involving multiple commercial organisations within a focused project. Whilst Storbacka and his colleagues have used this approach in many studies, greater recognition of this formal research approach is more recent (Schiele and Krummaker, 2011). Our own research has benefited from utilisation of interactive research (Payne and Frow, 2005) and consortium research (Frow et al., 2015).

SCHOLARLY DISSEMINATION AND BRANDING

We conclude this review of the Nordic School of Services with some considerations with respect to scholarly dissemination and branding. Branding, an important component of marketing and strategy, could be recognised and used to a greater extent by scholars when promoting their concepts, frameworks and theories. We contend that scholars contributing to the management field are often too self-effacing and modest when it comes to promoting their research and in considering the relevance of developing a 'brand' with respect to their work and that of their colleagues. The role of professors is to 'profess' and concepts, ideas and theories need to be marketed. An early review of strategy concepts concluded that "the acid test [of frameworks] is not intellectual brilliance, but the acceptance of use of them in the marketplace ... it is the degree of their acceptance of endorsement by the business community that is important"; when the contribution from the academic community is considered in terms of use of these concepts by business, the result is "disappointing." (Payne and Lumsdon, 1987:54). We conclude that scholars need to put more effort into promoting

their intellectual accomplishments and one approach is by forming a group of like-minded researchers and suitably promoting their individual and collective scholarship.

Various groupings or ‘schools’ of scholars with common interests have emerged around the world. Within Europe, these include IMP Group, The Copenhagen School, The Stockholm School and The Aston School. Some ‘schools’ have flourished, whilst others have declined. The Nordic School of Services is one that has flourished. One of the key reasons that the Nordic School has flourished has been the path-breaking and very different ‘take’ on services marketing, relationship marketing and service science that it has embraced. However, there are further reasons, which relate to the development and nurturing of the Nordic School of Services as a brand. The Nordic School consists of scholars at separate institutions who cooperate in some ways like the Nordic Council coalition, engaging with each other purposively and acknowledging and citing each other’s work. A high-level of cooperation between scholars has led to the increasing global recognition of this School of marketing (and management) thought.

The architects of the Nordic School have been prominent in taking their work to the customer—the academic and practitioner communities. The Nordic School scholars are very active in scholarly and managerial forums—from the early stages of their academic careers to the present time. These forums include: the American Marketing Association Services Marketing Conference, the International Colloquium in Relationship Marketing, the Annual Frontiers in Service Conference, the Centre for Relationship Marketing Research Conferences at Emory University, the Forum on Markets and Marketing, the Otago Forum, and the QUIS Symposium on Service Excellence in Management. It would be remiss not to highlight the contribution of Bo Edvardsson with respect to QUIS. Edvardsson launched this initiative at CTF the Service Research Center at Karlstad University. QUIS has had an important impact, since its inception, in attracting international scholars to conferences in Europe, and elsewhere, and acting as a platform for promulgating the work of the Nordic School scholars to an international audience.

The substantial publication stream of the Nordic School scholars’ research in both journal articles and books over a period of several decades has assisted in firmly establishing the Nordic School brand. For us, part of the appeal, in addition to the intellectual content, are the carefully constructed and provocative titles of their journal articles. Consider the following titles of journal articles: “Taking a Customer Focus Back into the Boardroom: Can Relationship Marketing Do It?”; “The Global Crisis and the Marketing Scholar”; “Customer Centricity: Reality or a Wild Goose Chase?”; “Are Current Research Approaches in Marketing Leading Us Astray?”; and “Love at First Sight or a Long-Term Affair?” These titles make you want to read these contributions—this is a good marketing! Publication of books, which are both scholarly and acceptable to managers, has played a further important role in promoting the Nordic School message. For example, Christian Grönroos’ service marketing book first published in 1990 and Gummesson’s book on relationship marketing first published in 1999, have been constantly updated and revised in further editions. The success of these endeavours is demonstrated, in part, by the high citation rates of Nordic School scholars. For example, Grönroos currently has in excess of 40,000 Google Scholar

citations—a remarkable accomplishment! These insights about the branding and marketing of the Nordic School of Services are relevant to scholars elsewhere who seek to promote their achievements.

CONCLUSION

The Nordic School of Services is characterised by thought leadership, independence, pragmatism, and a willingness to stand out and be different. Although this review has focused on the work of Christian Grönroos and Evert Gummesson, as two of the principal architects and champions of the Nordic School of Services, the substantial body of work by their many colleagues and students must also be recognised. These scholars' contribution is reported in this current volume and elsewhere (e.g. Grönroos, 1991; Gummesson and Grönroos, 2012).

The Nordic School has had an important impact on our thinking and in our published work – as it has for many others. As this body of work has progressively evolved, many of us have found it has helped us know where we are heading—like the North Star. It has been reassuring to us, as the philosophy behind the Nordic School is firmly grounded in work that is managerial relevant. As CERS - the Centre for Relationship Marketing and Service Management at Hanken School of Economics approaches its 21st birthday, it is time to celebrate and recognise the accomplishments of all those involved in the Nordic School of Services. We look forward to its star continuing to shine!

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THE NORDIC SCHOOL: OBSERVATIONS FROM AN OUTSIDER

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I have been asked to write a brief reflection on the Nordic School of Service Research and Relationships. I have been researching and teaching service marketing and management issues for more than 20 years, and have come to be an admirer and fan of service scholars from the Nordic countries. From my perch across the ocean (in Ohio), I have put together some thoughts on the Nordic School in the paragraphs that follow.

TWO SCHOOLS OF SERVICE MARKETING

At the 2007 Quality in Services (QUIS) Conference in Orlando, Florida, I was asked to make some observations—as an outsider—about the Nordic School of Service Marketing. I did not consider myself an expert then on the Nordic School (nor do I today), but in my slides I listed what I thought to be characteristics of the *Nordic School of Service Marketing*. These characteristics, presented then as a “laundry list” of bullet points, include:

- Close research community
- Qualitative
- Holistic approach
- Generalist
- Macro approach
- Macro issues
- Interdisciplinary
- Relationship marketing
- Industrial (B2B) behavior focus
- Case study research; small numbers
- Business engagement – close company connections
- Theory development
- Focus on service management
- Courageous research
- Not afraid to think, act differently
- Thinking outside the box
- Independent – not driven by “A” journals

I am not sure if those in attendance agreed with me, but no one challenged this list during that session or later at the conference. I also provided a list of what I considered to be characteristics of the “traditional” (*U.S.*) *School of Service Marketing*. (To be honest, I am not sure if there is such a “school” in the U.S. nor if that school is “traditional”. However, having received all three of my degrees at Arizona State University and having been a passionate advocate for service marketing throughout my academic career, perhaps I am in a position to

create a list of characteristics of this mythical “school”). These characteristics include:

- Fragmented, distant research community
- Quantitative
- Segmented approach
- Specialist approach
- Micro approach
- Micro issues
- Interdisciplinary
- Transaction marketing
- Consumer Behavior focus
- Survey research; large numbers
- Business cooperation – viewed as a hurdle to research
- Theory testing
- (Service) Marketing is everything
- Risk averse research
- Tendency to stick with the accepted
- Thinking about how to improve the box
- “Best” research driven by publishing in “A” journals

Commonalities Between the Two Schools

Despite the differences in these lists, there seem to be some aspects that the two schools of thought have in common. First, both schools see service as strategic to all companies, be they pure service companies, manufacturing firms, or hybrids who provide both physical goods and service offerings. Second, both seek better understanding of service phenomena and both have been quite successful in improving our understanding of service. Third, in their attempts to better understand services, both have come to appreciate the value of combining qualitative and quantitative approaches to study service phenomena. Fourth, both schools of thought appreciate interdisciplinary approaches to understanding this phenomenon, although both would likely admit that research in service marketing, service management, or service science is still not truly interdisciplinary at this point in time. Fifth, both have become quite interested in service innovation and design over the past decade and see innovation as key to future success in service businesses. Finally, scholars from both schools would agree that it is quite difficult to get their best research on service issues published in the premier (“A+”) marketing and management journals.

Twin Sons of Different Mothers?

In 2007 I argued that there appeared to be more similarities than differences between the two service “schools”. It is now 2015 and, eight years later, I feel even stronger about this observation.

In the past decade both schools have embraced the Service Dominant Logic paradigm to the point where many authors appear to feel compelled to cite Steve Vargo and Bob Lusch no

matter what the topic of their paper. Scholars from both schools are quite supportive of international service conferences, including the Frontiers in Service Conference, the American Marketing Association's SERVSIG Service Research Conference, Quality in Services (QUIS) Conference, Service Management and Science Forum, Naples Forum on Service, and Recent Advances in Retailing and Consumer Services Science Conference, to name but a few. The goals of the QUIS conference are consistent with most of these conferences: to promote a continued development of service marketing and management globally, to gather thought leaders from business and academic communities to exchange insight and experiences, and to share and advance the theory and practice of service research through dialogues between researchers and executives. Both schools have come to embrace international collaboration on research projects via readily available Internet tools such as Skype and Google Scholar. Both schools are well represented by scholars that serve as board members and reviewers of the top service journals. Both schools have become quite interested in recent years in developing research agendas in the areas of service innovation and transformative service research. And, both are now interested in increasing engagement with businesses to both gain access to data and receive financial support in their efforts to examine important service problems.

Given all of these similarities, perhaps the two schools of service marketing and management are merely "twin sons of different mothers". When each school was younger, scholars from each came across as somewhat arrogant by hinting (or, in some cases, explicitly stating) that their approach was "the" best approach for studying and understanding service phenomenon. However, as both schools have matured, they increasingly resemble each other. In fact, maybe it is time to put the "Nordic School" label to rest. Indeed, I think the service marketing and management discipline might be better served if it unified its efforts and simply referred to the collective body of service scholars as the "School of Service Marketing".

What We Can Learn from the Nordic School of Service Marketing

There is much that service scholars can learn from their Nordic School "brothers and sisters." First, in my experience, Nordic School scholars frequently present and discuss thought-provoking insights. Such insights often challenge existing paradigms, and service scholars should be open minded to such ideas rather than automatically dismissing them because of who has offered them or the research approach used to generate such insights. Second, service scholars, if they firmly believe in their perspective, should stick with it. Although Nordic School research may not have been readily embraced by some of those in the "traditional" school, that did not stop Nordic School scholars from using their approaches and pushing their ideas forward. From my perspective, research from the Nordic School is now fully embraced and accepted.

Third, good theory is difficult to develop (and publish) for all scholars, no matter what their background and tradition. As Nordic scholars have attempted theory development, they have found that such endeavors are not always readily accepted. I would suggest this is not a Nordic School issue, but rather a consequence of trying to develop theory. Thus, any service

scholars dabbling in theory development should be aware of the potential risks and rewards of such pursuits. Fourth, scholars from the Nordic School have had close ties with the business community for years. Such an approach is becoming more prevalent (necessary) in the U.S. as scholars are now charged with looking for additional resources—including both data and financial support—to assist them in their research. The Nordic School has a long history of engagement with businesses and should serve as a model for such endeavors.

Finally, two of the major players in the development of the Nordic School have been the CTF Service Research Center (in Karlstad, Sweden) and the CERS Centre for Relationship Marketing and Service Management at the Hanken School of Economics (in Helsinki, Finland). Both centers have been pioneers in developing service scholars and studying service issues and problems for more than 20 years. I was fortunate to meet, and learn from, three of the leading pioneers in the Nordic School: Founder of CERS, Christian Grönroos, from the Hanken School, Evert Gummesson from the Stockholm University School of Business, and the founder of CTF, Bo Edvardsson. These men, along with my mentor Steve Brown, founder of the Arizona State University Center for Services Leadership, have served as role models in moving service research forward. Service scholars worldwide would do well to emulate their vision and persistence in studying service issues.

REFLECTIONS ON THE NORDIC SCHOOL: A BROADENED PERSPECTIVE

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INTRODUCTION

All scholarly schools of thought evolve from multiple, and often competing, existing schools of thought. These schools of thought can be identified with certain individuals, institutions, and geographic areas. The “Nordic School,” as labeled by Gummesson and Grönroos (2012), reflects an intersection of several pioneering scholars, particularly in service marketing and management (e.g. Edvardsson, Gronroos, Gummesson, Normann, etc.), institutes (e.g. Center for Relationship Marketing and Service Management at the Hanken School of Economics; School of Business at Stockholm University; CTF Service Research Center at Karlstad University; Service Management Group-SMG) and two relatively small countries (Finland and Sweden).

Schools of thought also are typically identified with a time frame. The Nordic School emerged around 1980 and continues to this day but arguably includes many more actors (individuals, institutions and countries) than identified above. This school of thought challenged much of conventional thinking about marketing, as well as marketing practice, both of which were heavily based on U.S. thought and practice. As would be expected, the Nordic School faced almost unsurmountable challenge of overcoming or stepping around or over older foundational schools of thought.

A description of the historical foundational schools of thought was offered in an earlier work of ours: “Evolving to a New Dominant Logic for Marketing” (Vargo and Lusch, 2004a). In this article, we also identified an emerging school of thought, which we later labeled Service-Dominant logic (S-D logic). S-D logic evolved from the historical foundational schools of marketing thought as well as what became known as the Nordic School. The three historical schools of marketing thought¹ (Vargo and Lusch, 2004a) were:

Classical and Neoclassical Economics School (1800-1920). Economics became the first social science to reach the quantitative sophistication of the natural sciences. Value is embedded in matter through manufacturing (value-added, utility, value-in-exchange); goods come to be viewed as standardized output (commodities). Wealth in society is seen as created by the acquisition of tangible “stuff.” Marketing is matter in motion.

¹ Direct but with slight modification from Vargo and Lusch (2004a)

Commodity, Institutional, Functional Schools (1900-1950). Early marketing thought was highly descriptive of commodities, institutions, and marketing functions; commodity school (characteristics of goods), institutional school (role of marketing institutions in value-embedding process), and functional school (functions that marketers perform). A major focus was on the transaction or output and how institutions performing marketing functions added value to commodities. Marketing primarily provided time and place utility, and a major goal was possession utility (creating a transfer of title and/or sale). Importantly, a focus on functions is the beginning of the recognition of operant resources.

Marketing Management School (1950-1980). This school assumes that firms can use analytical techniques (largely from microeconomics) to try to define the marketing mix for optimal firm performance. Value, then, is “determined” in the marketplace; “embedded” value must have usefulness. Customers do not buy things but need or want fulfillment. Everyone in the firm must be focused on the customer because the firm’s only purpose is to create a satisfied customer. Identification of the functional responses to the changing environment that provide competitive advantage through differentiation begins to shift toward value in use.

Although each of these schools is identified with a time frame, it is important that one can still see the continuing influence of all of them. For instance, many articles in *Marketing Science*, *Journal of Marketing Research* and *Quantitative Marketing and Economics* draw upon the neoclassical economics school. We also still witness many books, articles and college courses on certain products or commodities (Sports Marketing, Health Marketing), institutions (retailing, e-commerce, social media), and functions (advertising, selling, distribution). Finally, the marketing management school of thought continues to mostly pervade introductory marketing undergraduate courses as well as MBA courses and Ph.D. programs. Normally there are notable exceptions and especially if one moves outside the North American market.

EVOLVING TO A NEW DOMINANT LOGIC

Despite the long tail of the three primary historical schools of marketing thought, we witnessed in the 1970’s the beginning of an increased recognition of the growth and importance of what were identified as services industries and firms (Shostack, 1977) and, as we will elaborate below, pioneering Nordic Scholars were particularly attracted to and insightful about the study of service(s) and made notable contributions. Vargo and Lusch (2004a) identify during this time period (early 1980’s) that, although not recognized at the time, a new dominant logic, began to emerge that viewed marketing as a continuous social and economic process in which operant resources are paramount. It moves away from viewing exchange as dyadic between a buyer and seller or producer and consumer where money is exchanged for what were known as a good and/or service in order to maximize profits and consumer utility. Rather, it uses a lens that allows one to see the service-for-service exchange and resource integration among all social and economic actors. This

exchange and resource integration is to co-create value which always occurs in service ecosystems, coordinated through institutions and institutional arrangements.

This evolving logic, or paradigmatic framework, continues to unify disparate literature streams in major areas such as customer and market orientation, service(s) marketing, relationship marketing, international marketing, quality management, value and supply chain management, resource management and network analysis (Vargo and Lusch, 2008a; 2011; Akaka, Vargo and Lusch, 2013; Lusch, Vargo and O'Brien, 2007; Lusch, Vargo and Tanniru, 2010).

This school of thought became known as S-D logic and is associated with ten foundational premises (Vargo and Lusch 2004a; 2008a) that can be captured with four axioms.

Axiom 1. Service is the fundamental basis of exchange.

Axiom 2. The customer is always a cocreator of value.

Axiom 3. All economic and social actors are resource integrators.

Axiom 4. Value is always uniquely and phenomenologically determined by the beneficiary.

With input from a growing community of scholars, including Nordic scholars, the axioms are being used to understand, research and further develop theory and marketing practice.

Although S-D logic draws on key thoughts from the Nordic School, especially those centered on relationship, interactions, and many-to-many networks, it also (1) draws on key insights from other schools of thought (2) has been criticized as inconsistent with the ideas of a few Nordic School Scholars, and (3) has been identified as a key “pillar” by others Nordic School Scholars. Notably, the criticism about certain aspects of premises have been made by some of the central figures in the Nordic School (Heinonen et al., 2010; Grönroos, 2011; Grönroos and Ravald, 2011). Given that the purpose of this short commentary is to rightfully honor the accomplishments of Nordic School scholars in general, we choose not to deal extensively in it.

Although we do not choose to use this essay to deal with criticism, we do wish to emphasize that S-D logic, both initially and as modified over the last decade, arguably offers a broader and more transcending view of not only marketing and management but of business, economic exchange, and value creation, more generally. As such, it is increasingly seen as moving in the direction of a general theory of markets, which might be able to better inform a general theory of marketing. Importantly, we view the Nordic School and similar divergent schools of thought, as well as various sub-disciplines that emerged in marketing over the last several decades – especially service marketing and relationship marketing -- as attempts to explain divergent and non-conforming situations to an old, classical and/or neoclassical economics logic; commodity, institutional and functional schools of marketing thought and the marketing management school of thought (see Vargo and Lusch, 2008b). S-D logic is however different from these other formative schools of thought, because it offers a broader,

more abstract, general framework that is more of a meta-idea (Lusch and Vargo, 2014). A meta-idea helps to support the creation and transfer of other ideas. Over the last decade we have witnessed increasing adoption of S-D logic by scholars, consultants and business leaders worldwide because “it provides a transcending and unifying, meta-framework for organizing ideas from diverse disciplines and for thinking innovatively about marketing, business, and the economy in general” (Lusch and Vargo, 2014:203).

There are a variety of publications by key actors in the Nordic School that expressed ideas that contributed directly to S-D logic and its foundational premises. Below we present a partial list. It should be noted that the interest in service(s) and relationship marketing emerged in multiple countries in the 1970’s and early 1980’s and became very popular in the 1990’s and continues. Furthermore it is difficult to untangle the emergence and history of ideas. In the early period of thought development, some of the individuals that helped to shape the sub-discipline of services marketing or management and/or relationship marketing or management beyond the Nordic School included Christopher Lovelock, Leonard Berry, Stephen W. Brown, David Bowen, Richard Chase, Lynn Shostack, Valerie Zeithaml, A. Parasuraman, Mary Jo Bitner, Roland Rust, Jagdish Sheth, David Ballantyne, James Heskett, and Leonard Schlesinger. By the turn of the 20th century the sub-fields of service(s) and relationship had their own journals, academic conferences, and supporting organizations.

Six ideas, largely but not exclusively emerging from the Nordic School, and in no particular order are as follows.

1. Gummesson (1993:32) noted that using physical products as a definitional foundation for services “presupposes that there is a fairly unambiguous definition of goods” and “forces services to exist on goods’ conditions instead of allowing them to exist on their own conditions.” This, along with other factors, motivated us to logically argue that the IHIP characteristics that were used often to defensively describe why services were different than goods, are nonsensical. In fact, we argued that normatively all market offerings regardless of if they were viewed as goods or services should strive for inseparability, heterogeneity, intangibility and perishability (Vargo and Lusch, 2004b). Interestingly, at the same time Gummesson along with Lovelock were also searching for a fresh perspective that did not view services as what goods were not (Lovelock and Gummesson, 2004).
2. Gummesson also noted “Customers do not buy goods. They buy offerings which render services which create value.... The traditional division between goods and services is long outdated. It is not a matter of redefining services and seeing them from a customer perspective; *activities render services, things render services*. The shift in focus to services is a shift from the means and the producer perspective to the utilization and the customer perspective” (Gummesson, 1995:250-251, emphasis added). This insight provided important support for: Service is the fundamental basis of exchange (FP1), indirect exchange masks the fundamental basis of exchange (FP2), and goods are distribution mechanisms for service provision (FP3).

3. Grönroos had, at the time, a somewhat counterintuitive notion of value that resonated with our thinking. *“Value for customers is created throughout the relationship by the customer, partly in interactions between the customer and the supplier or service provider. The focus is not on products but on the customers’ value-creating processes where value emerges from customers and is perceived by them....the focus of marketing is value creation rather than value distribution, and facilitation and support of a value-creating process rather than simply distributing ready-made value to customers”* (Grönroos, 2000:24-25, emphasis in original). This insight was much aligned with two S-D logic FPs: the customer is always a cocreator of value (FP6) and the enterprise cannot deliver value, but can only offer value propositions (FP7).
4. Normann was the first of the Nordic School scholars to use the term “service logic” (Normann, 2001:98). Using this orientation enabled him to conceptualize physical products (goods) in a novel manner. “A physical product, thus, is a representation – an accumulation – of past knowledge and activities. It is, indeed ‘frozen knowledge’. Its frozen form, its tangibility, makes it – and therefore the accumulated knowledge – accessible and storable for use and perhaps re-use” (Normann, 2001:116). Normann’s insight related to several ideas we were developing that dealt with goods as distribution mechanisms for service provision (FP3) and the central role of operant resources and especially the application of knowledge (FP4).
5. Normann, although he did not explicitly define resources or use the term “resource integration”, introduced the concept of “density” which resonated with our thinking and was consistent with viewing all economic and social actors as resource integrators (FP9). The principle of density dealt with the “best combination of resources is mobilized for a particular situation – e.g. for a customer at a given time in a given place – independent of location, to create the optimum value/cost result. ‘Density’ expresses the degree to which such mobilization of resources for a ‘time/space/actor’ unit can take place” (Normann, 2001:27).
6. Edvardsson probably had less influence on the original foundations of S-D logic but has been active in its refinement and dissemination to practice. Of particular note is his work with Tronvoll and Gruber (2011) in elaborating the concept of “value-in-context” in terms of “value-in-social-context,” emphasizing the social-constructive nature of evaluation. This has particularly influenced the understanding of the experiential nature of value creation and determination (FP10). More generally, through the CTF Service Research Center that he directs, and its 60 or so employees, he helped connect S-D logic with practical application ranging from transportation services to innovation and business sustainability with a whole host of companies, such as Eriksson, Volvo, Ikea, to name a few.

THE NORDIC SCHOOL: A TELESCOPIC LENS

Most schools of thought go well beyond the pioneering founders; both preceding and following the founders. Preceding even the pioneering founders are individuals that unrelatedly develop foundational ideas that enable or make it easier for pioneers to begin a journey and see the path toward a new school of thought. One of these individuals is Johan Arndt (to be discussed shortly). Following the pioneers are the many individuals that help to proliferate the ideas of the founders but also in the process are stimulated to develop convergent ideas that allow the new school to develop and be adaptive. In this category we would like to recognize and briefly comment on Hakansson and colleagues, as well as on the work of Kjellberg and Helegesson and of Storkbacka and Nenonen

Johan Arndt, a Nordic scholar was instrumental in challenging the standard neoclassical economics paradigm as well as the marketing management school. Arndt paved the way for others that would challenge the old dominant economics and marketing management logics. Ideas he developed and expressed between 1979-1985 we find as precursors to what unfolded the next couple of decades and provided a glimpse into what was to become a central focus in marketing on relationships, interactivity, and more recently systems thinking, all of which are aligned with S-D logic as well as the Nordic School.

Johan Arndt in 1979 in the *Journal of Marketing*, clearly communicated and provided evidence for what he saw as a move away from market and bureaucratic exchange to relational exchange; what he referred to as the “domesticating” of the market (Arndt, 1979). Shortly, afterwards, in a pair of articles, in the *Journal of Macromarketing* (1981) and the *Journal of Marketing* (1983), Arndt introduced an institutional approach to the study of marketing systems. He also positioned the political economy paradigm as a framework for theory building in marketing. In these articles he convincingly argues for why the micro-economic dyadic approach to marketing is severely limited. He shows the value of examining the internal and external economy and polity and highlights the need to look at substructures as well as superstructures and how they dynamically evolve.

Arndt also was a student of philosophy of science and addressed some of the same issues we have dealt with in developing and gaining support for S-D logic and also the challenges the Nordic School have confronted in dealing with resistances to more qualitative research and theory development. In 1985 he published “On Making Marketing Science More Scientific: Role of Orientations, Paradigms, Metaphors, and Puzzle Solving” in the *Journal of Marketing*. This article appeared at a time when there was aggressive debate around philosophy of science issues in the marketing literature (Anderson, 1983; Peter and Olson, 1983; Hunt, 1990).

In parallel with the development of the Nordic School, the IMP Group was developed by Hakansson and colleagues, who offered considerable conceptual and empirical work in business-to-business relationships and became largely responsible for the development of a network perspective in marketing. Key to this development is the adoption of an actor-to-actor (cf. Vargo and Lusch, 2011) conceptualization and the actor, resource, activity (ARA)

model (e.g. Håkansson and Snehota, 1995), which is relatively effortlessly isomorphic with the resource integrator/resource/service model of S-D logic. While IMP and S-D logic continue to be relatively independent frameworks, it is probably not surprising that there has been considerable boundary-scanning by related scholars.

More recently, we have found the work of Kjellberg and Helegesson (2007) on the nature of markets and their practices very synergistic with S-D logic. These scholars identify “representing,” “normalizing” and “exchanging” practices as central to understanding markets. A representation is a re-presentation of something usually in terms of images or schema that actors develop and hold. Kjellberg and Helegesson pay particular attention to how representational practices contribute to how actors depict markets and their workings. Normalizing practices offer guidelines for actor-to-actor interacting. Common examples would include institutions such as conventions, social norms, and laws. Exchanging practices include the activities involved in the consummation of individual economic exchange. We have argued that exchange practices are part of a larger resource integration practice that involves the integration of market resources with private and public resources to cocreate value (Lusch and Vargo, 2014).

Also recently, the work of Storbacka and Nenonen (2011a) on the nature of markets has established synergies with S-D logic. S-D logic views markets as actor-to-actor (A2A) networks, or service ecosystems, (Vargo and Lusch, 2011) that are cocreated and evolving and not fixed and static. In line with this logic, Storbacka and Nenonen view markets as configurations of market actors that engage in practices. These configurations are dynamic as actors enter and exit the system. Importantly, they view markets as not something given but as emergent, shapeable, or plastic and that can be scripted (Storbacka and Nenonen, 2011b).

CONCLUDING COMMENT

As we try to tie together some additional concluding thoughts we wanted to first mention that we believe the richness and contributions of the Nordic School come not from a homogeneity of thought but from diverse thought and perspective it offers both when considered across the discipline (e.g. in comparison to the NA perspective) and internally (i.e. across Nordic Scholars). That is, while there exist some loosely shared perspectives dealing with relationship/interactivity, networks, and perceived service quality, the Nordic School views are diverse. We suggest caution in any after-the-fact attempt to homogenize them into a single, definitive position, which would do more to dilute than it would to amplify their contributions.

As we reflected on a broadened view the Nordic School we found that Richard Normann (2001) in his book *Reframing Business: When the Map Changes the Landscape*, presented the most comprehensively informative singular work coming out of the Nordic School. Normann in this book moves well beyond service(s) or relationship marketing or management and to the broader realm of the entire business and its strategy for constantly renewing the business to create new maps that change the landscape. It is a view that is not only broad but is also

tightly aligned with the contention in S-D logic that markets do not exist (Lusch and Vargo, 2014) “out there,” consisting of waiting, demanding customers. Markets are “cocreated by actors seeking solutions or experiences and other actors with offerings captured in value propositions” (Lusch and Vargo, 2014:22). Or as Normann signals with his subtitle “When the Map Changes the Landscape” and thus suggests that our cognitive schema or market representations allow us to socially construct the market landscape.

As we delved more into trying to understand markets and marketing from a deeper and more holistic perspective, we became frustrated at how little was known. Surprisingly, we discovered that economists know little about how markets actually work but rather adopt a normative market structure of perfect competition and, when actual markets do not follow these normative models, conclude that the market is inefficient. For this and many other reasons, in 2008 we established the *Forum on Markets and Marketing* (FMM) and were pleased to have the University of New South Wales host the initial forum. Since then, hosts have included Cambridge University (2010) and the University of Auckland (2012). We are delighted that FMM 2014 will have a Nordic School host: the CTF Service Research Center at Karlstadt University. The *Forum on Markets and Marketing* brings together scholars across disciplines to engage in dialogue directed at better understanding the nature and scope of markets and marketing. FMM has, from the outset, not been aligned with any country or professional association but has always had active participation from Nordic scholars as well as other scholars from throughout the world.

Evert Gummeson, along with Italian professors Cristina Mele and Francesco Polese, in 2009 established The Naples Forum on Service. This forum is built on three pillars: service science, networks and systems, and S-D logic. It involves several days of informal and formal discussions with an emphasis on trying to remove the constraints that our respective geographies and cultures present and attempt to find common research paths and conceptual advances. The Naples Forum draws scholars from many disciplines (accounting, computer science, design science, engineering, information systems, management, marketing and others) from around the globe. After each Forum we return to our homes in Arizona and Hawaii with many notes on how we can improve upon S-D logic. We are indebted to Evert Gummeson for his leadership in establishing the Naples Forum and felt there was no better person to award the inaugural S-D logic award in 2011.²

Although the Nordic School has played an important role in the development of S-D logic, we encourage fully open-source participation from all interested scholars from anywhere. We say that quite literally, because, if S-D logic is to be a means to understand business and society and if service is the fundamental basis of exchange, than we must be open to new and different ideas and perspectives. It is mostly in this direction that we see S-D logic moving. It is not the so much a logic of marketing or management but a logic of business and markets and, we believe, more broadly, of society. All actors perform jobs for one another; they all exchange service. This logic needs further refinement and must be tested in the crucible of reality of A2A networks and service ecosystems around the world.

² See: <https://www.sdlogic.net/awards-and-recognitions.html>

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WHAT DO THE TERMS “SCHOOL” AND “SERVICE” MEAN IN THE NORDIC SCHOOL OF SERVICE?

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A school is only as good as its teachers and the achievements of the founders, main representatives and great teachers of the Nordic School of Service, Christian Grönroos and Evert Gummesson, have been outstanding. They are pioneers in the field of service research and have been able to maintain and expand their leading position for several decades. Their extraordinary success has been well documented by the founders themselves (Gummesson and Grönroos, 2012) and is, in my opinion, attributable to three main reasons:

- The extraordinary degree of continuity, productivity and quality in their research combined with their presence in the most important academic publications and at the most influential conferences; their efforts to build up an international network of contacts, their contribution to the institutionalisation of research in Scandinavian service-based research centres and their ongoing support for the next generation of academics.
- The pioneers' ability to substantially reflect upon fundamental research questions, to always consider new trends, and to make creative and innovative contributions to the scientific debate.
- The founders' strategic alliance that ties their names and their work to the Nordic School's name, thus enabling them to establish the “Nordic School” as their own personal science brand.

For many years, I have benefited greatly from scientific exchanges and personal interactions with the representatives of the Nordic School. I would therefore like to congratulate the pioneers, their students and colleagues on their exceptional work and pay them my utmost respect. I am also grateful for the scientific inspirations and the enriching personal contacts. Nevertheless, my commentary also includes points where my opinions differ from those of the authors. This takes place in the context of the discussion of what makes the Nordic School of Service a “School” and how is understood the term “service”.

THE NORDIC SCHOOL: MORE THAN JUST A COLLECTIVE TERM FOR A GROUP OF SERVICE RESEARCHERS IN SCANDINAVIA?

As already mentioned, the Nordic School of Service is a well-established brand that most people in the scientific community will automatically associate with the work of Christian Grönroos and Evert Gummesson. However, the question as to how far the brand essence stretches beyond this initial association is less clear. In their overview article, the authors

characterise the Nordic School by researchers mentioned by name (Gummesson and Grönroos, 2012), primarily themselves, their students and colleagues from the Hanken School of Economics and the Centre for Relationship Marketing and Service Management (such as Tore Strandvik and Veronika Liljander), and the “adopted students” from the CTF Service Research Centre in Karlstad (for example, Bo Edvardsson, Anders Gustafsson, Inger Roos or Lars Wittell). The two aspects that unite these academics and other researchers named in the article are their Scandinavian descent and their research focus on service. However, not all Scandinavian (or even all Swedish or Finnish) service researchers are assigned to the Nordic School. Sometimes, the School membership of students and adoptive students can only be ascertained by their curriculum vitae and not by an explicit commitment to a particular research tradition or a shared approach.

That there are so many Swedish and Finnish academics producing first-class, internationally-recognised service research is particularly remarkable, but this fact does not necessarily constitute a “School”. A school of thought can be formed of researchers irrespective of their geographic origin and requires more: a defined research area, a theoretical position and a clear methodological priority.

At the end of their article, Gummesson and Grönroos (2012) summarise the essential characteristics of the Nordic School in 14 points of different nature that also contain statements regarding these three aspects.

THE RESEARCH AREA

Even their very first point relates to the area of research. The authors refer to their contribution to the abandonment of the divide between services and material goods, a view that became accepted in the 2000s. This new perspective refers to a later stage in the development of the discipline, referred to as the “service paradigm based on goods/services integration and interdependency” (Gummesson and Grönroos, 2012:482). It signifies a departure from the original understanding of research, known as the “services vs. goods paradigm with focus on differences” (ibid.). This initial stage uncovered a blank spot on the research map that had always been overlooked in the conventional goods-dominated approach of marketing science. For the first time, it became clear that certain goods created in an interactive process exhibit particular characteristics, such as intangibility and the customers’ participation in the service production process. The pioneers in service research demonstrated that these attributes cause significant challenges for management as they are completely overlooked in the typical 4 Ps in the marketing mix: interaction with the customer (participating customers), customer-based planning for integration processes (processes), staff management in terms of customer-based performance (people – internal marketing) and the design of a physical environment where the interaction takes places (physical evidence – servicescape). The great practical relevance and innovative nature of this approach generated an enormous dynamic for the development of a new discipline in the field: service marketing. And the authors from the Nordic School were one of the key driving forces behind this dynamic. For example, Christian Grönroos’ articles on service marketing, service quality and

internal marketing played a key role here (Grönroos, 1978; 1984; 1985). Focused on a clear definition of the research area, a scientific community was formed that has succeeded in establishing service marketing as sub-discipline of marketing science.

Since then, service research has shifted significantly from the original clearly defined focus and the representatives from the Nordic School are proud of their contribution to the development which led to the dissolution of the goods/service divide and the establishment of the service-dominant (S-D) logic (Gummesson, 2007; Gummesson, Lusch and Vargo, 2010). This movement began with the expansion of the previous marketing-oriented perspective towards the areas of relationship and network marketing. Then, the term “marketing” was gradually replaced with “management” and finally it came to the current arbitrary situation legitimized by the service-dominant logic and supported in terms of communication and finances by the IBM-induced Service Science.

THE THEORETICAL POSITION

The discussion of the research area already addresses the question of the Nordic School's theoretical position. Its representatives consider generating theories “more important to the development of a discipline and not just an antecedent to hypotheses-testing” (Gummesson and Grönroos, 2012:490). Even this is a unique position in current service research. And the authors meet their own demands: They have been playing an active role in scientific discussions about fundamental questions for many years now, often setting the direction. This applies particularly for the departure from the goods versus service paradigm and the move towards an integrative perspective, aspects that the authors certainly consider their most important theoretical contribution.

They have therefore paved the way for a development that appears, at first glance, to be a great success. The commitment to a general value-creation approach has expanded the area of research to such an enormous extent that there are almost no limits any more. Nearly every form of human interaction can be interpreted as co-creation of value. This now means that anyone who studies any aspect of co-creation of value (no matter how they interpret it or what discipline they work in) can be considered as a service researcher. This is also supported by the Service Science movement promoted by IBM. This approach began without any theoretical base and brought concepts such as technology orientation and multi-disciplinary integration into the discussion but no conceptual content. In fact, it is based on the obsolete definition of service taken from statistics and enables all research contributions to be assigned to the field of Service Science provided that they touch upon any aspect that is linked to the production of services in all industries (Stauss, 2008). The scientific community has celebrated the expansion of the research area as a source of growth and increased recognition: “The future for a service researcher couldn't be brighter” (Bitner, 2014:4).

However, my assessment of the situation is less enthusiastic. For me, service research resembles the giant Tur Tur from the children's book “Jim Button and Luke the Engine Driver”. Tur Tur is a giant who appears to be a giant when seen from a distance but who gets

smaller and smaller the closer you get to him. The danger with the broad definition of service is that the closer you look at it, the more difficult it is to recognise what service is supposed to be.

In contrast to the vast majority of researchers in our field, I do not account the service-dominant logic a significant theoretical innovation, nor do I consider it a meaningful foundation for defining the area of service research. I will not repeat my criticism expressed in another publication here (Stauss, 2005). However, I am convinced that the core arguments remain valid, even in light of the discussions since then. I do not understand how traditional service issues like customer participation and co-creation of value could be sold just to service research as innovative concepts. Furthermore, broadening the definition of service also implies the abandonment of service-specific insights. Above all, however, expanding the definition of service so that it covers nearly all subjects and areas of life (at least in terminological terms) means that every form of research becomes service research, thus making a specialist field of service research superfluous. It also remains unclear why we even hold on to the term service when the subject that it originally referred to is denied or eliminated by definition. The result is definitely problematic. The great extension of the perspective has its price: the abandonment of a clear focus area rooted in reality and the loss of the scientific identity.

I therefore think that the Nordic School's most important contribution to theory over recent years has been its quest to find order in the prevailing terminological and conceptual chaos. Christian Grönroos has not only shown how confusing, elusive and insubstantial abstract talk about value creation is, he has also introduced clear distinctions, such as the differentiation between value facilitation of the firm, joint value creation, and independent value creation by the customer (Grönroos, 2008; 2011). He reminds us that process and interaction are defining characteristics of service activities and highlights the fundamental role of interaction quality for the co-creation of value (Grönroos, 2011). This work leads us to hope that the Nordic School will succeed in introducing a new stage in the field of service research; a stage that is a synthesis of the two prior stages and thus helps the field to recover its profile and relevance.

Such a movement will also involve returning to the field's roots in marketing. The replacement of the term "marketing" with "management" may seem justified in certain respects because service marketing has gone beyond the traditional functional understanding of marketing. However, this replacement has also led to service becoming "homeless" in both a scientific and entrepreneurial context; a problem that has been exacerbated by the Service Science debate. It is therefore not surprising that attempts have to be made to regain such strong customer-based disciplines as customer relationship management for marketing (Grönroos, 2009).

The Nordic School continues to discuss and reflect upon the relationship between marketing and service science. Here, the authors do not understand marketing as an isolated function or as a metaphor for the marketing mix. Instead, they adhere to the conventional focus on the customer in the meaning of facilitating interactions with customers during their consumption process (Grönroos, 2006; 2009).

Integrating service research into the context of marketing also reflects the reality of academic institutions. Even in the future, academics will be socialized in specific scientific disciplines and will pursue their academic careers in these fields. In addition, the majority of service-based research centres are affiliated to economic faculties or even to marketing departments, as is the case for the Nordic School where the Centre for Relationship Marketing and Service Management (CERS) is part of the Hanken School of Economics in Finland. An unequivocal recognition of these structures gave service research the opportunity to establish itself institutionally; a process that falters with the limitless expansion of the research area.

METHODOLOGICAL APPROACH

When it comes to their methodological approach, the representatives of the Nordic School take two clear stances, both of which deviate from the methods predominantly used in research. Firstly, they emphasise the importance of specific qualitative methodological approaches, such as case study research or interactive and interpretative methods. They do not reject quantitative methods, such as surveys, but they do consider them to be overvalued (Gummesson and Grönroos, 2012:490; Gummesson, 2000). Secondly, they are strong advocates of research that has an influence on practice and that reflects upon how practical experience can affect the research process (action research).

A number of researchers who belong to the Nordic School still adhere to the tradition of conceptual reflections and the use of specific research methods. A content analysis of the highly-regarded Journal of Service Research (JSR) provides evidence of this. In the decade between 2005 and 2014, the journal published 275 articles. During this period, researchers named in the overview article as members of the Nordic School or academics associated with the school contributed 8 of the 275 articles published. Three of these articles are conceptual contributions (Edvardsson, Enquist and Johnston, 2005; Holmqvist and Grönroos, 2012; Wägar et al., 2012) and another three use qualitative methods (Roos and Gustafsson, 2007; Helkkula, Kelleher and Pihlström, 2012; Jaakkola and Alexander, 2014).

However, the analysis of the JSR also shows just how difficult it is for the Nordic School to maintain its unique approach. Gummesson and Grönroos (2012) underline the difficulties to gain access to the US-dominated journals, particularly when the methods deviate from the mainstream. Of the 275 articles published in the JSR, the vast majority (around 75%) are quantitatively oriented; to a lesser extent by presenting quantitative models, predominantly by conducting empirical analyses of a set of hypotheses. These articles do not only apply a similar methodology, they also show a high degree of formal standardization, following mostly a “LOHMRDC” pattern (Literature review, Objective, Hypotheses, Method, Results, Discussion, Conclusion). In the articles, most attention is paid to the statistical analysis of empirical results while the contribution for theory development remains minimal due to the fact that the non-confirmation of hypotheses has no consequences at all. The results of this analysis can serve as proof of the existence of a phenomenon that Gummesson and Grönroos (2012:492) refer to as the “over-selling of simplistic studies and techniques”.

Anyone wishing to carve out a career in this area of research does not have to be particularly innovative or creative, nor does he have to think conceptually. He simply has to adhere to standards (select a standard structure, take a well-proven model as a basis, use well-established scales, etc.) and be able to calculate or at least have someone with good knowledge of mathematics in his team. The pioneering work of the Nordic School would have little chance of publication in this kind of journal today. The successors of the pioneers are therefore under significant pressure to adapt: they have almost only a chance of being published if they prove to the methodology-focused scientific community that they are able to adhere to the standards. As such, being able to identify members of the Nordic School by their methodological approach is likely to become increasingly difficult.

CONCLUSION AND – NOT VERY REALISTIC – WISHES

The scientific achievements of the founders and main representatives of the Nordic School, Christian Grönroos and Evert Gummesson, have been exceptional and are of lasting significance. Over several decades, they have played a key role in driving forward service research, managed to build a sustainable research network and established permanent research structures by founding research centres.

The Nordic School brand is associated with ground-breaking research in the area of service marketing and has also made significant contributions to the development of the service paradigm based on goods/services integration and interdependency and beyond. Furthermore, conceptual thinking and qualitative research methods are highly valued and belong to the brand essence.

This forms a very strong foundation for future work. However, for the future of the Nordic School I would like to see it strengthen its profile – although I am aware that such a wish is rather unrealistic in light of current research trends. Here comes the wish list:

(1) Increased integration of the school's own theoretical roots

Some of the more recent publications from the Nordic School see the authors putting less emphasis on the divisions in the scientific development and more focus on the longer-lasting concepts instead (Grönroos, 2006; 2011). In my opinion, the authors should continue to remember the theoretical roots of the Nordic School and to further promote the integration of its findings into current research.

This would also involve reflecting upon specific management challenges stemming from particular goods-based attributes. Of course, the question is not to revive the supposedly strict division between goods and services but rather to identify specific problems for customers and management. These days, we are all aware (and this should have always been the case) that market offerings are often hybrid and complex combinations of attributes. The attribute 'customer participation' is not relevant because it can be used to divide services from goods but rather because it affects the behaviour of customers and companies.

At the end of their overview article, Gummesson and Grönroos (2012) make a few critical “last minute reflections” in which they question the impact of service research. With respect to the pioneering stage, I would say that the impact has been clearly positive. Research into the areas of service encounters, perceived service quality, customer-based planning for customer processes (blueprinting) and the design of the physical environment (servicescape) helped to change the business world and played a key role in bringing a service-oriented perspective into management. The problems identified remain relevant today and have taken on a new facet with the rise of electronic and social media. However, by abandoning its original identity, these problems will fall out of service researchers' sights without the new integrative perspective showing a clear set of topics and comparable effects on practice. A return to the school's roots would also mean a return to relevance.

(2) Revival of an instrumental perspective of service marketing

If the Nordic School were to return to its roots, I would also find it desirable if its members were to take an even firmer stance when it comes accepting marketing as a significant part of service research. Their plea for service to be considered as a phenomenon within its marketing context is a good foundation for this. However, I am not convinced that this position excludes a more practice-oriented consideration of marketing instruments. Particularly if service is considered in the meaning of facilitating interactions with customers during their consumption process, it seems appropriate to shift the focus towards how service providers could develop interactive processes and how they could have a favourable influence on customers' usage processes and value creation (Grönroos, 2011). One approach here would be to develop the concept of a service-specific marketing mix further (Booms and Bitner, 1981). Not only would this help to focus research, it would also ensure great significance for practice.

(3) An even stronger affiliation to qualitative methods

One of the defining traits of the Nordic School is its commitment to the use of qualitative methods; there is a wealth of publications written by members of the school that highlight the merits of such methods. If the Nordic School wants to be recognizable by more than just its researchers' geographic origins, it should retain and cultivate its stance on methodology as an essential part of its profile. This would also involve fostering the area of action research, in other words removing the distinction between the subject and object of its research and considering its researchers both as students and influential figures in practice. However, as already discussed, this may be extremely difficult in the current research landscape and under the conditions of the predominant publication machinery.

(4) Increased integration of Scandinavian values

In their closing remarks, the authors also question the impact that service research has had on social welfare. Although the answer to this question must remain open, there is plenty of evidence for the effects of the original service research, e.g. how service quality has played a key role in the development of public services (such as health care and social services). However, the argument that the Nordic School has had only a limited effect on society may

be traced back to the fact that its members do not integrate “typical Scandinavian” values into their research. These values include aspects such as social justice, the relevance of welfare state services, environmental sustainability, solidarity and equality. The values of Northern European societies are in stark contrast to a research tradition that focuses primarily on maximising individual profits. I would therefore welcome a move towards a stronger representation of Scandinavian values into the Nordic School's research.

Of course, I am aware that my wish list is unrealistic. Not only because some of its aspects partly contradict the positions taken by my highly esteemed colleagues at the Nordic School, but also because its realization hardly seems possible under the current research conditions. But even if my wishes remain unfulfilled, I continue to wish the founders and their colleagues all the best and, as a service researcher, still count myself as a child of the Nordic School (of course an illegitimate one).

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REFLECTIONS ON NORDIC SCHOOL

RESEARCH AREA AND REFLECTIONS

IS MARKETING BLIND TO THE INTERNAL CUSTOMER?

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Internal marketing was first advocated by Len Berry in a conference paper (1981) and in spite of “Nordic School” attempts over the years since to raise interest among marketers it remains a “sleeper” and largely untried. Christian Grönroos and I have argued in many papers that internal marketing in its most promising manifestations is a customer-centric strategy for achieving inter-functional coordination within the firm. In other words, the underlying logic is that marketing has to connect with its “internal customers” as well as external customers. This strategy impacts positively on employee attitudes and the skilfulness needed to meet the needs of customers (Ballantyne, 2003; Grönroos, 1981). The obvious difficulty is that it crosses over conventional disciplinary territories and functional boundaries within the firm. More than this, the firms that are most likely to benefit find it hardest to implement because of divisional rivalries or culturally embedded habits.

My own understanding of internal marketing was profoundly influenced by a customer service improvement program in which I was directly involved. A large retail bank had established the program in Australia. For three years, I headed up an interdisciplinary customer service group whose job it was to make it happen. Patterns of internal procedural reviews developed which gave internal marketing its energy and structure. Also, *internal networks* of willing staff volunteers emerged. Their interaction and collaboration led to the discovery and circulation of new context-specific knowledge.

Investigating and reflecting on this program gained me my doctoral degree from Hanken in 2004. I am still awed by these *internal networks* of relationships and how they contributed to achieving external *marketing* goals. Changes to internal policies and processes led to direct improvements in customer service and greater front-line staff efficiencies. Also, the continuing cross-functional and team based problem-solving activity helped raise the *customer consciousness* of those employees not directly involved.

My experience of internal marketing comes down to this. It is a strategy for developing relationships between staff across internal organisational boundaries. This is done so that staff autonomy and *know-how* may combine in opening up knowledge generating processes that challenge any internal activities that need to be changed. The purpose of this activity is to enhance the quality of external marketing relationships.

How could internal marketing not be a good thing? It comes down to leadership. Internal marketing needs senior marketing leaders to act as catalysts in bringing marketing and non-marketing employees together, at all levels of the firm, in customer-centric approaches to management and operational knowledge renewal.

The social and economic macro-climate supporting such collaborative relationship-based agendas may be better now than in the past. Managing knowledge resources and

competencies within firms (and between firms) are issues I see as critical for any customer-centric marketing approach. Put another way, internal marketing with a Nordic School twist may yet help guide the attitudes and behaviour of employees in their everyday work activities.

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NORDIC SCHOOL AND THE FOUNDATION FOR THEORIZING ABOUT SERVICE BRANDING

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In 2000, I was invited by Christian Grönroos to present a PhD Course on Branding for Nordic students. The course was very well attended by students from universities in Finland, Sweden and Norway. In the delivering of the course, I wanted the students to be aware that the brand has been defined in many ways, but common to these definitions is that it functions as an entity. For example the AMA (2004) defines the brand as; “a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers.” Underpinning this definition are traditional economic and psychological perspectives which assume an active seller and a passive buyer. These include an economic perspective which draws on signalling theory (e.g. Erdem and Swait, 1998), a psychological perspective which draws on associative network memory theory to develop theory about consumer brand knowledge (e.g. Keller, 1993).

The first part of the course was devoted to these traditional perspectives that dominated the research published in the leading US based journals. In the second part of the course, broader relational, social, network, experiential and cultural perspectives of branding were taken where branding functions as a process.

The broader relational perspective of branding recognises that customers are no longer passive recipients of an organisation's strategy but instead demand interaction and the ability to create value in their experiences. While it is important to understand the factors that determine brand image and identity, there is also a need to understand the role that branding plays in the value-adding processes that lead to creation of the customers' experiences. Here the brand is not only an identity and image, but it plays a broader role where it interfaces not only with end customers but also with the company, its employees and a network of stakeholders. I referred to this as service branding and in the PhD course we explored how best to conceptualize the service brand.

In order to conceptualize the service brand I drew on a framework that emerged within Nordic school in the 1980s. This perspective viewed marketing as enabling, making and delivering promises. The framework was first introduced by Calonius (1986) and refined by Grönroos (1996; 2006; 2007), and conceptualizes marketing as the enabling, making and delivering of promises. In their paper, Brodie, Glynn and Little (2006) adapted the promises framework and developed what we refer to as the Service Brand-Promises-Value Triangle (see Figure 1).

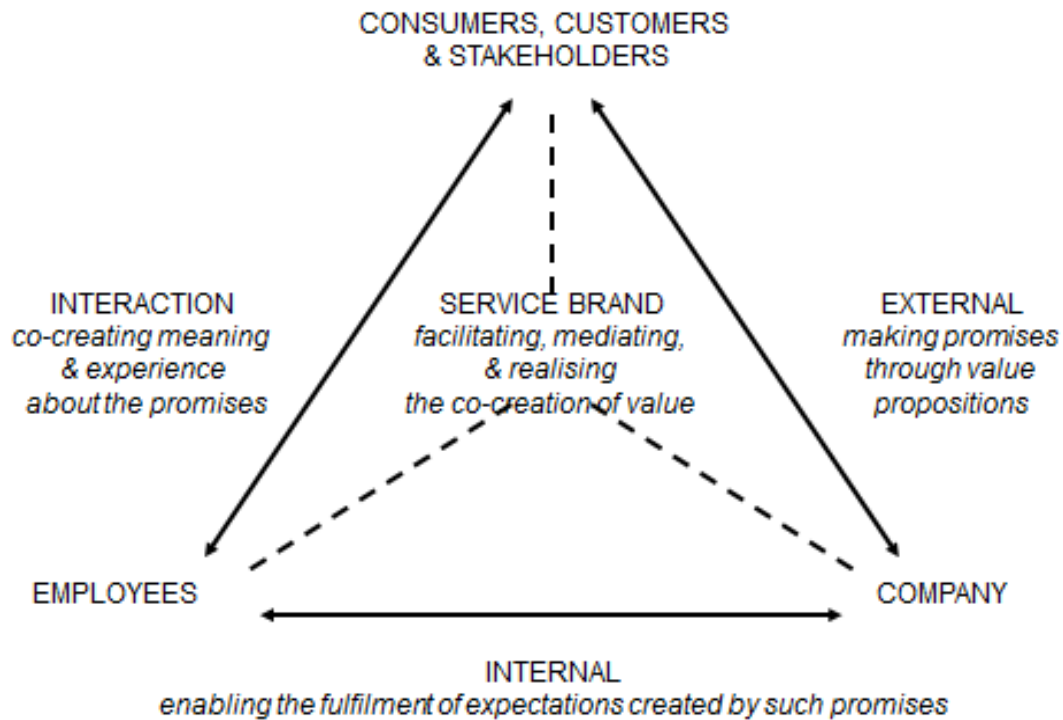


Figure 1. The Service Brand-Promises-Value Triangle

In Figure 1 we identify three types of marketing:

1. External marketing (communication between the organization and customers *making promises* about the service offer).
2. Interactive marketing (interactions between people working within the organization/network and end customers that create the service experience associated with *delivering promises* about the service offer).
3. Internal marketing (the resources and processes *enabling and facilitating promises* about the service offer involving the organization and people working in the organization).

Following the publication of our Service Brand Promises framework, a paper by Fryberg and Jürriado (2009) extended the framework to a network which takes into account the perceptions of other stakeholders (e.g. retailers, media, government regulators etc.) explicitly. This also leads to a broader stakeholder perspective of branding (Merz, He and Vargo, 2009). The Service Brand Promises framework suggests that there is a need to have a broader context to examine the influence of branding. This is because the brand is seen to have meaning not only for end-customers but also for the brand-owning company and to be relevant to its responsibilities to employees and to a broader network of stakeholders. The implications for

conventional brand management in this wider, more community-oriented conception of brands and socially-constructed notions of meaning are far-reaching.

Brodie et al (2006:373) provided a definition of the service brand:

“Service brands facilitate and mediate the marketing processes used to realize the experiences that drive co-creation of value. They provide sign systems that symbolize meaning in the marketing network, and hence are a fundamental asset or resource that a marketing organization uses in developing service-based competency and hence competitive advantage.”

The notion that brands “provide sign systems that symbolize meaning in the marketing network” has recently been recognized by Conej and Wooliscroft (2014:11) when they take a market systems perspective of branding. They state:

“Brands are re-defined as complex multidimensional constructs with varying degrees of meaning, independence, co-creation and scope. Brands are semiotic marketing systems that generate value for direct and indirect participants, society, and the broader environment, through the exchange of co-created meaning.”

In conclusion, my experience of the developing new theory about branding is just one tangible example of how the Nordic school has had a major influence on advance theoretical and practical knowledge in the areas of marketing and service management. This can partly be attributed to international emphasis that has been adopted. In the last two and half decades I have made 15 visits to the Nordic region. I have always felt very welcome and have benefited by the openness of the academic community to challenge conventional wisdom and develop new far reaching perspectives.

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SERVICE ALCHEMY

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Although the idea of service is an integral part of most service firms, few service providers actually deliver the ‘*service*’ that truly constitutes the relationship building element of the firm’s offer and successfully communicates ‘real’ value to the customer. While the importance of building a relationship with the customer is widely acknowledged, many service firms continue to emphasize the tangible element of their offer in the effort to communicate and attract new customers. This is primarily due to the difficulty in portraying ‘*service*’ and/or its unique value to the customer without an accompanying internal customer focus re-orientation of the firm. While products obviously have inherent value, within a service context, products per se are not able to create relationship with the customer nor convey the uniqueness of the firm’s offer. It is argued here that value transmitted through the firm’s ‘*service*’ elements constitutes a more effective basis on which to communicate and establish the firm- customer relationship. However, many service firms continue to follow the entrenched internal mindset and mechanisms of a product oriented firm. They are subsequently engaged in a constant effort to transform products to provide service value, which, unfortunately, often falls short of customers’ expectations. For example, many service firms utilize technology to standardize, replace and/or limit human interaction with customers, in a simultaneous attempt to enhance the relationship, engagement and commitment from customers. This, however, is not what customers expect from customer focused service firms.

Medieval alchemists strove to transmute a base metal (e.g. lead) into gold by using some method or universal solvent that could convert a common substance with little value into a substance of great value. The alchemists were not engaged in creating gold, but were essentially in search of a substance perceived to be of ‘higher value’. The concept of service alchemy may be viewed as illustrative of what many service firms have to undergo to transform themselves into a truly value contributing ‘*service*’ firm. Service alchemy, in this context, depicts the conceptual transformation required within the service firm: the series of metamorphoses to become customer focused and the internal mechanisms adopted to provide greater value to customers through superior service. Thus, service alchemy is a process by which service firms re-invent the concept of ‘*service*’ as they refocus on customers and co-create value. The reorientation of the firm towards the customer and therefore ‘*service*’ is essential to gaining customer trust. This, however, requires an alchemic transformation of the firm’s conceptual mindset combined with a realignment of the firm’s internal mechanisms to meet the changing needs of customers on a continuous basis. Everyone within the organization must feel and believe that customer focus and service orientation is embedded in the firm’s core strategic belief if service-oriented activities are to become the norm and the platform for an ongoing relationship with the customer based on trust and a dedication to ‘*service*’. Service alchemy can therefore be viewed as a means to re-engaging the firm with

the customer and re-establishing the internal ability to differentiate the firm from the competition through the consistent delivery of personalized, impeccable '*service*'.

As a doctoral student, my thoughts and understanding of service literature were inspired by Professor Grönroos' book and writing. As the editor of the Journal of Service Management, I still base my thoughts on what we today have come to know as the Nordic School of thought. Customer focus and the corresponding emphasis on relationships, which has been the perspective of the Nordic School, have a very special meaning in my understanding of service.

THE NORDIC SCHOOL'S SERVICE LOGIC AS AN INSPIRATION FOR MATERIALITY-ORIENTED CONSUMER RESEARCH

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“Leadership is not about a title or a designation. It’s about impact, influence and inspiration.”

Robin S. Sharma

The impact of the Nordic School on the development of marketing thought is unquestionable. However, its foundational role has been acknowledged predominantly in regards to services management and relationship marketing (e.g. Berry, 1995). Although the following reflection fully supports this contention, it also aims to show that the intellectual impact on services of the conceptual underpinnings of the Nordic School far transcends the recent service-dominant logic debate (Vargo and Lusch, 2004; 2008). Specifically, I demonstrate how this perspective spans the intradisciplinary boundaries within marketing academia and resonates with theoretical perspectives adopted in other areas, such as consumer research.

As has often been argued, the uniqueness of the Nordic School’s logic stems from its adoption of a process- and interaction-oriented perspective on consumption (i.e. a customer-centric perspective) at a time when conventional marketing concepts consisted of goods-based marketing models focused on facilitating producer-consumer transactions (Grönroos, 1978; 2006). What is now considered a “paradigm shift” took almost two decades to trickle down into mainstream marketing thought. That process gained momentum with the publication of work by Vargo and Lusch (2004) on service-dominant logic. While Vargo and Lusch’s work differed in some key aspects from the Nordic School’s perspective (cf. Grönroos, 2006), it sparked a heated debate and resulted in a number of reflections about its ramifications for marketing academia.

One such response is Eric Arnould’s (2006) reflection on how ideas outlined in service-dominant (S-D) logic by Vargo and Lusch (2004) were, to a great extent, pioneered by Consumer Culture Theory (CCT) researchers. In his selective review of the CCT literature, Arnould focuses on S-D premises that are already well documented in the extant consumer research literature. For instance, he points to CCT work evidencing the fact that goods are just a means to an end for consumers, for whom market offerings often constitute symbolic resources for their identity projects (e.g. Levy, 1959). Arnould argues that Vargo and Lusch’s (2004) premise that “Goods are Distribution Mechanism for Service Provision” uses different language to echo the same idea.

Commenting on the specific set of premises however, Arnould does not acknowledge the long lineage of academic work that preceded the S-D logic and paved the way for it in marketing scholarship. (For a comprehensive review, see Grönroos, 2006.) If the scope of

Arnould's analysis were to be extended to incorporate all this work, it would be evident that the ideas which he claims were pioneered by CCT were actually emerging in parallel in the scholarship of the Nordic School. Hence, the Nordic School's focus on the process nature of services and their simultaneous production and consumption (e.g. Grönroos, 1978; Gummesson, 1979) is commensurable with CCT's preoccupation with conceptualizing consumers as active participants in consumption experiences (e.g. Hirschman and Holbrook, 1986; Firat and Venkatesh, 1993). Many other parallels could also be drawn between the Nordic School and CCT; (the focus on customer interactions vis-à-vis consumer sociality as embedded in market offerings, as one example). Yet, there are also unique ways in which the Nordic School's intellectual legacy inspired work at the intersection with CCT. My own research is a case in point here.

One of the Nordic School's key contributions to the marketing literature is a conceptualization that differentiates physical goods from services based on their process nature (Grönroos, 2006). In other words, while goods can be manufactured, stored, and consumed at any time by consumers, services are ephemeral and emerge in customer-provider interactions. This conceptualization was instrumental for my theorizing about contexts in which the notions of physical and material are not synonymous (Kedzior, 2014). Such contexts include online virtual worlds (e.g. Second Life) where objects are devoid of physical presence, yet on the phenomenological level consumers do not doubt their materiality (i.e. the potential of digital objects to produce consequences in consumer lives). The obvious parallel to the emergent and interactive nature of services prompted me to realize that digital materiality was not a stable entity, but rather an emergent and evolving phenomenon. In consequence, it led to a framework that maps out five distinct processes through which online digital spaces are materialized.

Another important influence of the Nordic School's thinking which inspired my culturally-oriented research was the idea that the management of customer expectations is a crucial factor in controlling service quality (Grönroos, 1984). During my fieldwork in Sedona, Arizona (known as a spiritual Mecca for New Age consumers) I was interested in how the marketplace facilitates the exchange of ephemeral, ambiguous offerings (e.g. energy healing) between service providers (e.g. healers) and customers (e.g. tourists). The extreme heterogeneity of such offerings was seemingly making it impossible for the providers to manage customer expectations. Paradoxically, as my findings demonstrate, some providers actually benefit from destabilizing customer expectations as customers, seeking to resolve their destabilized expectations, tend to perpetuate their consumption (Kedzior, 2013). Arriving at this conclusion would not have been possible without the sturdy conceptualization of perceived service quality championed by the Nordic School.

The Nordic School's impact, influence, and inspiration (as per my opening quote) derive from the intellectual potency and versatility of its service logic. Its legacy lies in the plethora of research shaped by its ideas – not only in relationship marketing and services management, but also in consumer research.

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SPEED OF SERVICE INNOVATION AND THE INCREASING ROLE OF REAL TIME EXPERIMENTATION

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One of the consequences of the ever-increasing speed of innovation is that service marketing and management should take the lead in the company boardroom, using a new “built-in” service design approach. In a new and highly competitive service landscape the Service Dominant Logic (Vargo and Lusch, 2004) and Gummesson and Grönroos’ (2012) integrative approach of the Nordic school are still highly relevant. However, they do not form a sufficient basis for a successful strategy. It’s not only the *How?*, and *What?*, but ultimately the *When?*, that will be the crucial success factor.

The nature of services and the pace of change have shifted dramatically in recent years. Relying on the traditionally managing service delivery will no longer be sufficient. Companies must learn to tap the potential for service innovation taking into account four evolving trends (D’Emidio, Dorton and Duncan, 2015).

Higher customer expectations. Consumers demand greater involvement, customization, personalization, and mobility from services. As industry boundaries increasingly blur for customers, companies must look for new ideas beyond their immediate competitors.

The rise of the mobile Internet. About 1.5 billion smartphones are currently in use worldwide and more than 100 billion apps were downloaded in 2013, up from 64 billion in 2012. The resulting mobile and self-service possibilities are transforming service delivery. E.g. remote access and monitoring in healthcare are made possible by increased connectivity.

Big data and advanced analytics. An increasing number of companies are using internal process data and customer data to personalize and tailor their services. Continued advances in analytic capabilities allow companies to draw insights from massive, previously untapped sources, leading to new e.g. time and location based service possibilities.

The Internet of Things. Machine-to-machine (M2M) connectivity is already facilitating real-time service delivery in a number of B2B applications. The prevalence of connected devices opens up possibilities for proactive, even “touch less” service, as well as new commercial models quite unlike the traditional ones. On top of that imagination that recommender systems and artificial intelligence start to take a role in our individual decision making process.

Clinging to traditional models and lack of evolving quickly in coping with these challenges will be detrimental for companies. Recently Rust (2015) provoked services marketers to perform a thought experiment: “Imagine how business would change if there were no barriers to communication, data storage and data processing. In other words, you could communicate totally with anyone, anywhere, any time. [...] You could store an infinite amount of

information about all of that communication [...], and all data processing and computing would be instantaneous.” Next to speed this perspective requires that service design approaches to innovation should be at least holistic, include multiple stakeholder involvement and should use extensive contextualized data collection (Mahr, Kalogeras and Odekerken-Schröder, 2013). However, above all speed is crucial and service design should instantaneously deliver testable prototypes and be implemented in a swiftly manner.

On the basis of an example from the retailing industry we will illustrate these challenges in the service industry (D’Emidio et al., 2015). Zara’s ability to spot trends as they emerge is equally important as serving its target customer base. It has a built-in system to collect real-time market data, and shares information widely throughout the organization. Cross-functional design teams pore over daily sales and inventory reports to see what is selling and what not, and continually update their view of the market. Followed by a complete and massive rollout fashion gear.

Recently, many companies have likewise increased the frequency of their strategic and operational reviews and start to institutionalize the collection of real time data, supplemented with periodic first hand observations in the field. This is basically a two-speed operating model. Recently market sensing and company operations are more and more intertwined. Speed of innovation is more than ever closely related to operations and provides the Achilles heel for the company’s success.

Zara serves as a role model for the services industry. The service industry will be confronted with an even higher pace of market testing and rollout. This means that in the service industry the time between collection and sharing the data and the introduction of the new business model and smart service approaches will approach zero. Leaving for services literally no experimentation time and testing for new service propositions. Services go live instantly without safe testing environments. Testing, consumer recommendation, learning from consumers all takes place within seconds and within the “blink of an eye” decision-making time window of consumers. It will be impossible to let these complex systems directly be monitored by the boardroom, or even employees. Much of the intelligence will be hidden in the operating systems, social media and the data cloud of organizations and customers.

Given the high-speed transformation of the operating models into a zero-speed model, the marketing discipline is relevant as never before in the boardroom en literally the whole organization. Marketing intelligence will be complemented by the hidden information contained in the service operations systems. The connection between customer and company operations, business models, and market intelligence has never been that close, with a major role for real time experimentation. Is the marketing discipline ready to take up this challenge?

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THE NORDIC PERSPECTIVE: INSPIRING THE FUTURE OF SERVICE INNOVATION

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According to the service logic (Grönroos, 2006; Grönroos and Ravald, 2011) or service dominant logic (Vargo and Lusch, 2004; 2008), service is fundamental to all inter-human exchange. Human, organizational and societal needs are satisfied through service. Although the precise locus of value creation is often debated, and most likely depends on the nature of the needs and the service, according to the service logic value is co-created in the interaction between a service user and a service provider (cf. Grönroos and Voima, 2013).

However, *service needs* in modern societies have become increasingly complex, specific, and often quite challenging to fulfill, while in response to these needs *service provision* is becoming more sophisticated than ever. Highly specialized individuals or teams must collaborate in and across multiple organizations to develop and provide service. When complexity, collaboration and interdependency increase, effectiveness inevitably becomes a challenge and inefficiencies increase.

Many types of service organizations, such as educational, humanitarian, caritative, public or social service providers are in desperate need of developing the competencies required to develop and provide service in a complex world. To better create value with and for their customers (read: students, patients, citizens, etc.), they need to better understand the essence, complexity, function, perceptions, and development of service in many different contexts. Service science is no longer dispensable (see e.g. Vargo and Akaka, 2009). There is little doubt that we are only at the beginning of a real service science. Still, every service researcher - whatever his or her focuses - in the 21st century has the great advantage of 'standing on the shoulders of giants'. In my view, the thinkers of what is often called the Nordic School have given the world a range of perspectives and tools, which are nowadays often perceived as obvious. From a historical perspective they are not. The Nordic School has re-invented marketing from a service perspective (Grönroos, 2006), and thus given rise to multitude of new ideas. These new ideas are leading to substantial progress in marketing, because they are grounded in the idea that 'service' is not to be considered, studied, managed, as a discrete phenomenon, but rather as something that is part of a system, of a network, linking departments in the firm, multiple firms and customers in an ecosystem, etc. As a result of this fundamental shift in perspective:

- 1) The Nordic School has opened up a range of multilateral discussions, or conversations if you like, between academics, service providers and service users. In an early spirit of co-creation, the actual contributions of those involved in the Nordic School are not limited to increasing scientific understanding, but they also pertain to inspiring, and stimulating the dialogue between researchers and practitioners: always looking

forward, and with the purpose of improving, and innovating service and the service experience.

We are only at the beginning of a real service science, if such a thing exists. Because science assumes that a constant object exists, and this can be doubted, because: what is service...

- 2) The researchers of the Nordic School have been instrumental in raising awareness, in stimulating other researchers to join in this approach, and lecturers, but also partially through them, many practitioners, to take service in its complexity more seriously as an object of scientific investigation, as core to so many aspects of human existence.
- 3) The researchers associated with the Nordic School have a natural tendency to stress service innovation (e.g. Edvardsson et al., 2000). Innovation and development of service is important, since in many cases service provision is still inefficient, sometimes from the perspective of the provider, more often from the perspective of the user (so often not fast enough, not cheap enough, not convenient enough, not simple enough, not integrated, not effortless, i.e. not sufficiently designed with the user in mind), and often disappointingly little effective (no delivery of what is promised, or not very useful).

SERVICE STRUCTURE

Much of the difficulty service providers appear having in providing efficient and effective service has to do with various forms of complexity involved in designing, developing, providing - and consuming - service. Providers have great difficulty in understanding what users really need or want, and how they can best help them.

In the following paragraph, I would like to discuss some of the issues that have become visible, standing on the shoulders of the giants, in relation to my own domain of expertise, service innovation. These issues require our attention. They are avenues for future research, zooming in on the concept of service complexity:

The Complexity of the Service Experience

Anyone trying to innovate in the domain of service should probably first focus on service consumption or the service experience. Various dimensions of complexity can be distinguished in the service experience and the generation of service value:

- 1) Time - service consists of series of related episodes and different episodes may contribute differently to the final evaluation of the service. Service resembles a narrative, often including suspense, and a plot (see e.g. Lundqvist et al., 2013).
- 2) Space - service and service elements are often offered in different, but related places (i.e. not in the same geographical place or space).

- 3) Continuity - Multiple service elements together form one user experience, one user value.
- 4) Emotion - in service episodes emotions of providers and users are important determinants of value co-creation (Liljander and Strandvik, 1997).

The Complexity of the Service System

Secondly, we need to focus on the service (eco-) system (Lusch, 2011): the complexity of the relationship between service providers and the service consumer: not a simple transactional relationship - predominantly between a single seller and a single buyer - but rather one of co-creation and often one of many-to-many, where communities of users co-create with networks of providers (Kowalkowski, Witell and Gustafsson, 2013; Lusch, 2011; Patrício et al., 2011; van Riel et al., 2013). From this perspective a number of interesting issues come to surface:

- 1) Ownership - service elements forming one complex form of service are often owned, or offered by different providers (i.e. not by the same individual, provider or company).
- 2) Power - relating to the degrees of freedom of the user, mutual contribution to service, power relations between users and providers, taking into account of customer limitations (see e.g. Liljander et al., 2006).
- 3) The Servicescape - does the servicescape, or more and more often the e-scape or the m-scape (Gummerus and Pihlström, 2011), facilitate the co-creation of value?

These are just a few of the issues, arguably important ones that need to be further investigated, and that have only recently become visible. Largely thanks to the work of a community of researchers that built the Nordic School. The Nordic School has therefore acted as a source of inspiration for many a service researcher, both those who are part of it, and those who are not. Thanks!

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UNDERSTANDING CUSTOMERS; CUSTOMER VALUE CREATION AND EXPERIENCES

WE MIGHT KNOW WHAT WE ARE SELLING, BUT DO WE KNOW WHAT THE CUSTOMER IS BUYING?

Tore Strandvik and Maria Holmlund

The marketing literature seems to assume that there is a match between what the seller sells and what the buyer buys and that buyers have rather stable reasons for buying. This paper takes another approach to customers' purchasing motivations and further develops the concept of customer needings (Strandvik, Holmlund and Edvardsson, 2008), which refers to the customer's view of what the customer buys when suppliers sell their offerings. In addition to elaborating this concept with the use of illustrations, we reveal elements and discuss empirical examples of the inherent dynamic nature of customer needings. Finally, we present a set of propositions for researchers and managers to switch the focus from offerings to needings. We argue that such a shift in managers' mental models will result in better customer understanding that can be beneficial in, for example, attracting new customers, designing new offerings and building stronger relationships with existing customers.

INTRODUCTION

Over the last few years, *service* has been one of the most significant areas of interest in marketing. For industrial companies, this has bolstered the desire to try to understand the implications of service thinking. The conventional focus of industrial companies on mere products has been challenged, and instead, it has been suggested that they should reconsider their offerings and integrate services to their products or see their business from a service perspective (e.g. Oliva and Kallenberg, 2003; Gebauer and Kowalkowski, 2012). It has also been claimed (e.g. Ulaga, 2003; Tuli, Kohli and Bharadwaj, 2007) that these companies need to understand their customers better and collaborate with them in order to be successful in the marketplace.

Solutions have been suggested as the most advanced type of offering, combining different products, services and processes over time in order to create value for the customer. Nordin and Kowalkowski (2010) reviewed the literature on solution offerings and found many different understandings of what a solution is – ranging from a bundle of products and services to a dynamic relational integration of resources with the customer.

Another related issue is the manner in which the offering is supposed to create value for the customer. The traditional perspective is simply to consider the offering so as to contain the value that it brings to the customer (e.g. Anderson, Narus and Van Rossum, 2006). The service literature has however suggested (e.g. Grönroos and Ravald, 2011; Vargo and Lusch, 2011) that sellers need to consider that the customer's actual use of the offering is a deciding factor in what comes out of the offering. This perspective suggests that the offering should be seen as co-created by the seller and the customer, implying that value cannot be predetermined by the seller but also depends on the customer. This makes it much more

difficult for the seller to design and control value creation. One way of doing this is to involve the customer in the seller's processes of designing and providing the offering, whether it is a component or a solution. The most recent contribution to perspectives on how value is created for customers takes one step further by adopting the customer's view. This perspective argues that customers only seemingly buy 'offerings' – in fact, they try to acquire suitable resources to fulfil their goals (Strandvik et al., 2008; Strandvik, Holmlund and Edvardsson, 2012; Heinonen et al., 2010).

The scope of offerings (ranging from narrow to wide) and the primary focus on value (seller, interaction or customer) can be combined to distinguish fundamentally different offering-value contexts. Figure 1 highlights circles indicating the variations in such situations, which are can be found in research as well as in company practice. Furthermore, there has been a broadening trend in the scope of offerings, from single goods or services to bundles of goods and services, i.e. solutions. The focus on value has similarly shifted as the seller is no longer seen as the sole creator of value but rather co-creates value along with the customer for the benefit of the customer. The current chapter focuses on the third option – taking the customer as the starting point in the definition of value, whether this concerns a narrow or wide offering.

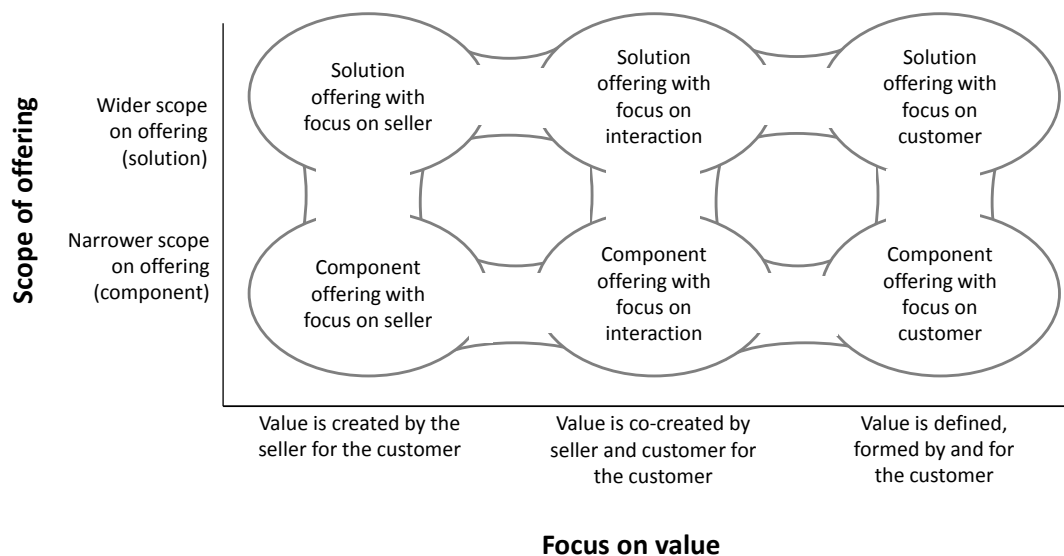


Figure 1. Different offering-value contexts

This shift in how the industrial company should consider its offerings demands, in practice, tremendous effort as both thinking and action in the company has to change on an individual and organisational level. In more practical terms, it is a question of considering 'what are we selling?' i.e. what is our offering. In this chapter, we add another twist to this line of thinking by taking the customer's perspective rather than that of the provider. The key question can then be transformed into 'we might know what we are selling, but do we know what the customer is buying?' We thus want to challenge the assumption that there is a match between what the provider sells and what the buyer buys.

Our starting point follows from the bold statement: what if companies are not customer- or market-oriented, at least insufficiently so, even if they have so considered themselves? To substantiate our discussion, we report empirical insights from business-to-business studies. Further, we suggest that the current vocabulary – where companies talk and think in terms of *offerings*, whether they are labelled products, services, service, solutions or value propositions – hinders companies from thinking like customers do. This chapter elaborates on the concept of *customer needing* and the implications it can have for research and management. First, we reveal how the idea of the concept came about. Considering ourselves Nordic School scholars, it was quite natural to reflect on conceptual implications when we found an empirical phenomenon that did not have a suitable label in the current literature. We then discuss how we developed the definition and content of the concept in an iterative process considering both empirical findings and theoretical knowledge. Finally, we present some propositions for academic research and practice.

CUSTOMER NEEDINGS

The marketing literature typically assumes that there is a match between what the seller sells and what the buyer buys and that buyers have rather stable reasons for buying. This paper takes another approach and suggests that *customer needings* or simply *needing* (Strandvik et al., 2008) may differ dramatically from the reason the firm believes its customers are buying the offering. In our study, which dates from 2008, we empirically discovered that the commonly used concept of *needs* did not cover the business *customer* perspective on buying. The *need* concept is a fundament in the marketing literature. It originates from human psychology studies about driving forces and is used on a very high abstraction level. In marketing, however, the concept is typically paired with *want*, *expectations*, *desires*, *preferences*, *likes*, *requirements* and *specifications* in connection with particular products, brands or suppliers. *Needs* are linked to these specific pre-determined ‘targets’ and is regarded as independent from activities, processes and ‘thinking’. Whether and how the concept of need can be transferred from its original setting to a company setting has, considering its significance in marketing research, surprisingly not been problematised or explored.

Consequently, we concluded that a new concept was required and therefore suggested the notion of *customer needing*, which captures what the customer company expects from a seller and its offering in order to fulfil a certain business task: ‘*Customer needing* is defined as *the customer’s mental model of desired value in use concerning a specific task in their business*’ (Strandvik et al., 2012:135). As a concept, needing consists of both a static and a dynamic element since it can be used to capture elements and change over time. Understanding needings is part of creating superior customer value as well as value for the seller and other stakeholders. Needing is based on the customer’s mental models of their business and business strategies that naturally affect its priorities, decisions and actions. The fundamental idea in the original paper was that if an offering is seen to represent a mental model of what the supplier intends to provide and achieve, the customer needing concept is correspondingly

a mental model of what the customer intends to achieve and acquire. We suggest that scholars and company executives should re-focus and consider what truly drives customer businesses and start considering customer needs instead of focusing on offerings. We argue that such a shift in managers' mental models will result in better customer understanding that can be beneficial in, for example, attracting new customers, designing new customer-based offerings and building stronger relationships with existing customers. In a dynamic business environment, it is also necessary to pay continuous attention to how needs change and evolve over time and contexts.

How the customer needing concept came about

The original set of empirical data on customer perceptions of industrial services consisted of interviews with eight representatives from a seller company as well as with 16 of its customers (Strandvik et al., 2008). From our discussions with company managers and the empirical study, it became clear early on that: firstly, mental models drive the company's logic for doing business; and secondly, the seller's mental models differ from those of the buyer. What the sellers explained they were selling did not match what the buyers explained they were buying. Sellers sold their package, their offering (in this case, a rather complex solution) whereas buyers were talking about something usually broader and quite different from the offering. These findings were the original starting points for developing the *customer needing* concept. To depict the content of the buyer's mental models in this high-technology industrial service setting, which is characterised by a strong outsourcing trend, we developed a multi-dimensional conceptualisation. We operationalised *needing* as a profile of three dimensions containing six functions representing the desired value in use for the customer: the *doing* dimension comprises a *relieving* and an *enabling* function; the *experiencing* dimension has a *sheltering* and an *energising* function; and the *scheduling* dimension contains a *time-framing* and a *timing* function. We labelled the dimensions and functions with verbs and active verb forms in order to emphasise that they reflect a process and a value-in-use view (Strandvik et al., 2012). All three dimensions seemed to be necessary to capture value in use in a broad sense for customers. Below, we use examples from studies to illustrate customer needs in different situations.

The doing dimension of needing refers to the resources and activities normally concerned with buying decisions.

The two different types of needs associated with the doing dimension refer to whether the company is interested in outsourcing a certain function or activity or, conversely, whether it looks for support for its own activities. For example, many IT-related projects belong under one of these types – the company, in line with its business goals, aims to outsource an IT process, or the company wants to strengthen the process in order to enable new business. The subsequent dealings and business with suppliers will be fundamentally different in character, depending on which situation the company is in. In the former case, value in use is realised when the company is relieved of performing tasks or honouring liabilities whereas in the latter

case, the resources, competence or capabilities that the company achieves enhance the business or enable new business. For the seller, the former situation typically means an illustration of how the offering can improve the customer's cost and efficiency numbers whereas, in the latter case, the seller needs to understand and demonstrate how its offerings fit the customer company's business development plans. The customer may also simultaneously aim for both effects.

The experiencing dimension captures cognitive and emotional aspects of value in use.

Fundamentally different from the doing-dominated dimension are what we label experience-associated aspects, which can also be an integral part of outsourcing and buying support. Cognitive and emotional facets can have varying significance, yet they cannot be ignored. In many situations, the customer aims to achieve peace of mind by avoiding risks and fluctuations in current or future business. Any buying situation contains risks for the buyer in relation to, for example, the offering's functionality, the supplier's capabilities, long-term commitment and integration with own operations. Specifically, if, for example, recovery times are long and the related costs are substantial or the substitutability of the seller or offering is difficult, the customer will aim to safeguard its business and minimise risks by primarily seeking information and guarantees from the seller. Another potential situation, which is also related to cognitive and emotional aspects, is when a company seeks to mentally boost its business or situations in which the goal is to invigorate (energise) the company. The company might, for example, choose a certain supplier to boost employees' motivation or launch a new situation internally, or it might prefer to be associated with a person or company holding a certain brand or reputation because of the overall positive impact on its business. Again, both aspects can be simultaneously present in the buyer's needing. For a seller, these two situations would be very different and would demand different competencies and sales arguments. Identifying which needing is relevant to a specific customer would be the starting point.

Time-related aspects form the third scheduling dimension.

Finding matching time frames between what the customer prefers and what the seller offers can be challenging. The suitable time scope for an offering/a needing for a customer can be longer than what the seller would like it to be, for example if the customer sees the purchase act as part of long-term business plan instead of as a single project. It can also be so that the seller would like the customer to commit for a longer time period than what the customer is prepared to do. Unless the time scope of both counter parts match or are flexible allowing stretching, the offering and the needing will not meet time-wise. Another element of time in a needing is timing. The needing is dependent on the particular point in time, and it may become relevant or stop being relevant over time. Also concerning this dimension, it is evident that both aspects might simultaneously be issues of relevance for the buyer. The seller would need to be attentive and sensitive to signals from the customer.

The concept of needing has, since it was developed, been used in a few studies. Kilpeläinen and Litonius (2010) applied it to an advertising agency setting and found empirical support for needing dimensions and functions. They found that customer needings, specifically in the advertising industry, are dominated by relieving functions – outsourcing tasks related to media and advertising – and by the energising function, such as instilling trust, being inspired by the agency, getting personality, creativity and brainstorming opportunities. Time-framing and the timing of the scheduling dimension were of significant significance. The researchers added a fourth dimension—*auditing*—since the clients wanted to have the services and actions of the media agency tied to and monitored against certain results. The reason was the abstract nature of the business, and clients prefer to gain control and assurance of the seller. These issues could also be seen as parts of sheltering in the original needing model.

Interestingly, contrasting clients' perspectives from those of sellers revealed differences between the two parties, thus indicating differences between offering and needing (Kilpeläinen and Litonius, 2010). In the doing dimension, there was limited alignment between the two parties; customers emphasised the relieving function and wanted to maintain the strategic business in-house whereas sellers highlighted the enabling function and focused on business development services. Correspondingly, customers strived for personality and proactivity, were more geared towards the energising function and considered risk controlling an internal issue while sellers focused on the sheltering function and minimising client risk. Regarding the scheduling dimension, there was more alignment; time-framing in the advertising setting is set by contracts and affected by personal bonds that ease and enhance the business. Both counterparts tended to have rather long and matching time frames. Conversely, timing differed to some extent. Customers were the exclusive determiners of what constituted suitable timing, and sellers found timing challenging and out of their hands.

In practice, a focus on needings implies that sellers need to think about their offerings in terms of value in use for the customer. This extends beyond the functional relieving aspects that are usually in focus. There are five additional factors (the elements in the needing concept) that are often present when the customer evaluates different sellers and their offerings. The challenge for sellers is that these aspects are normally less explicitly communicated, though not of less significance. Traditional market research, sales discussions or relationship communication do not reveal such insight. We argue that the first step to better understanding the customer is to apply the needing concept as a guiding light instead of concepts such as needs, expectations and satisfaction that tend to be the seller's vocabulary to explain customer thinking and behaviour. The next step is to develop practical procedures and methods to map out needings. The ultimate step for the seller is to innovate its business model and offerings based on the needings observed.

To sum up, it is often not the visibly obvious characteristics of an offering – most often relieving aspects – that are the deciding factor but, rather, the holistic, multi-dimensional entity that we have labelled customer needing.

NEEDING DYNAMICS

Existing empirical studies (Strandvik et al., 2012) have shown that change and dynamics are fundamental to customer needings as practices and priorities are under constant pressure to change. It is often a matter of interpretation and strategic decision-making affecting different factors and situations in relation to a particular company's needings. From the marketer's point of view, this means that customer needings represent moving targets. For the seller, it may not be possible to influence or even anticipate all potential changes, but for the seller, it is important to be alert and listen carefully to what happens in the business and in customer companies.

Empirical evidence of needing dynamics

Based on our empirical work and other studies, we here suggest that the dynamics of needing can be revealed through elements, such as *drivers, degree, content and consequence*. These refer to issues, such as: where does the change in needings originate (why); what is the nature of the change (how); what elements change (what) and their significance and spread (then what). First, we show some empirical examples of these dynamics, develop them into what we call *dynamic elements of needings* and label them: drivers/triggers (why), degree (how), content (what) and consequence (then what).

Taken from our empirical study (Strandvik et al., 2012), these are typical examples of how companies' needings are susceptible to change over time and firmly anchored in the company strategy:

In the future, we will continue to discuss what our own core business is and which additional processes could be outsourced. The situation is changing, and we discuss what we cannot outsource, and if there is anything that cannot be outsourced. ... at the moment, we have specified a few key areas, but these will most likely change in the future. [how, what]

We, like many others in our business, were faced with a new ownership base, and management started to expect higher efficiency and profitability. We began to discuss our core current competences and what they should be in the future, and we found that outsiders could do what we did much more efficiently. We have therefore outsourced many processes and will continue to do so as long as we find that to be more profitable than doing them ourselves. This is connected to the plans we make now, 1-year, 3-5-year, and 15-year plans. [why, what]

Dynamics can also imply a withdrawal from previous governing priorities (constituting needings) so as to be in line with the new strategy:

We used to buy this service, but then we made a change in our strategic plans in terms of how we defined core processes. Because of this, we decided that we needed to keep the know-how in-house and stopped buying the service. We don't see it as going one step back; it is merely a consequence of changing strategic priorities. [why, what]

Single incidents or a sequence of incidents can change company priorities and, thus, needs, as is evident in the following examples:

About the same time that I joined this company, we got a new CEO and we have actively [since the new CEO started] worked on finding and working with partners on a long-term basis. Some other key persons retired at the same time, and some people have been internally reassigned. [why]

The tradition and attitude used to be that we would be self-sufficient and do everything ourselves... But then things changed; management started to expect higher efficiency and profitability. We began to discuss what our core competences are and should be in the future, and we found that outsiders could do what we did much more efficiently. We have therefore outsourced many processes... [why, what]

Over time, the trend has been that companies, including suppliers, specialise and that means that we also need to specialise and split our business in smaller units. [why, what]

Because customer needs are under constant change, it may not be easy for sellers to respond to this:

We would like service providers in general to support us and other companies in our business in this new situation where cost efficiency means something different from what it meant five years ago – new measures and solutions are needed for us to cope. But the service providers haven't yet reacted to this fact; they have not yet developed the cost efficient service that we need. [how]

We want to work with suppliers and select the best in each area and work with those as partners. We need them to be able to fulfil our long-term goals, which extend to 30 years. [then what]

We write and agree on a joint vision with the suppliers, and we want the suppliers to have a vision for the future – very clear for the next year, fairly clear for the next five years and some kind of vision for the next thirty years. Our business is very dynamic, and our suppliers have to have the desire to develop our business together with us. We become strategic partners, and the aim is to have a win-win situation...trust is extremely important – the cornerstone of our business. [then what]

Elements of needing dynamics

Table 1. A table which summarises the dynamic elements of needings and develops a more coherent list of the elements.

<i>Dynamic elements of needing</i>	
Drivers/triggers (why)	In <i>buyer companies</i> – due to changes/redefinitions in business goals and core competence, ownership and personnel; In <i>seller companies</i> – due to the entry of new competitors (foreign or other lines of business) offering new possibilities or ways of doing business; In <i>buyer-seller business relationships</i> – as a result of interactions between the two companies, for example, in sales-buying meetings and other types of communication; In the <i>surrounding business context</i> – due to, for example, new regulations and standards or technological innovations.
Degree (how)	<i>Varying from minor or significant change;</i> <i>Varying from unexpected to predictable to even planned change;</i> <i>Varying from incremental to drastic;</i> <i>Varying from simple to complex.</i>
Content (what)	<i>Doing dimension change</i> through relieving or enabling function changes; <i>Experiencing dimension change</i> through energising or sheltering function changes; <i>Scheduling dimension change</i> through time-framing or timing function changes; <i>Relative significance of needing dimension change.</i>
Consequence (then what)	<i>Communication change in relation to needing within the company;</i> <i>Communication change of needing to others.</i>

PROPOSITIONS CONSIDERING DYNAMIC CUSTOMER NEEDINGS

In the next section, we present a set of propositions derived from the customer needing conceptualisation, which require further empirical research as well as direct managerial attention.

Needings are mental constructions held by the dominant actors in a company and are under constant development.

The company as such does not have mental models or needings; individuals have such constructions. Furthermore, as constructions are subjective and individual or group-based, there typically exist many different mental constructions in a single company. If the views differ in many significant ways, different mental models may constantly compete with each other, making it difficult to coordinate and guide the firm. As

Normann (1977) also argued, the dominant ideas in a company are grounded in, on the one hand, norms and values and, on the other hand, traditions and mental models among significant actors. These ideas are the outcome of competition between ideas on how to run and develop the business. They are not only the result of values and intellectual processes but also power and politics (Normann, 1975:18-19). Individuals who have the power to dominate and influence strategies and visions and, in practice, control operations will represent the current needings in use.

Needings drive buyer (present and future) behaviour.

Customer needings are linked to a future state towards which the business is striving. Needings might, to a certain extent, be unrealistic, fuzzy and implicit rather than realistic, precise and explicit. Needings might furthermore be small and simple or complicated and multidimensional. A needing might be clear, delimited and correspond to the near future, thus being easy to grasp and communicate; or it might be fuzzy, broad and long-term in nature and might often be difficult to communicate to different stakeholders and to potential providers or sellers. Needings might be of varying degrees of urgency and might thus have an impact on buyers' intended and actual behaviour. External conditions may also have a major impact on customer needings, such as when the business context changes as a result of, for instance, market growth, new competitors or changes in customer demand. Thus, understanding individual customer needings and future behaviour are crucial for sellers to be able to relate to and support business development.

Needings are grounded in buyers' current activities and processes as well as in their strategies, aspirations and visions.

Customer needings are based on current activities and processes as these represent immediate needs to be fulfilled. Companies, however, also continuously strive to grow, innovate and improve in order to sustain their competitiveness and profitability in a changing business environment. Needings are thus also related to future strategies, company aspirations and visions. In a longer time perspective, these are, however, also changing, implying that customer needings are inherently dynamic. From a seller's point of view, this represents a continuous opportunity, both in terms of change in relation to the needing and of opportunities to co-create and influence customer needing. But to take up this opportunity, the seller should be interested in the customer's business, the customer's mental model of his or her business as well as in changes in these.

Needings precede offerings – they are typically already there when sellers enter the picture.

This proposition implies that needings are not created by the seller but rather on account of other factors. This does not mean that the seller cannot influence needings (cf. Strandvik et al., 2008). How customer needings are affected by the seller of an offering and other competing offerings is an issue for further research. Reinterpretations of needings might still be made independently of suppliers' actions

and driven by other factors in the customer organisation or business – external or internal. It would be of importance to develop diagnostic methods to analyse customer needings in order to either adapt to them or try to influence them. Customer needings might not correspond to offerings in terms of scope but might be larger, encompassing several current industries, or smaller, representing only a part of current offerings. It might also be possible to predict how needings will change on the basis of customer-related factors by understanding the reasons and mechanisms behind customer needing dynamics. Should it be found that certain critical situations exist in which customer needings tend to change, for instance, in merger and acquisition situations, when CEOs change, when the company enters a new business, in economic downturns etc., then these might represent opportunities for sellers.

Offerings may influence needings, but offerings do not control needings.

Known and available offerings as well as seller activities may influence and change customer needings but hardly control them (cf. Heinonen et al., 2010). Needings are genuinely customer defined, customer driven and customer controlled; they are also dynamic in the sense that they might be revised or changed due to information, suggestions, creativity and influences from the seller and/or other actors. Customer-perceived control in terms of defining and managing the needing is fundamental to needings and how they change. Few buyers will allow a particular seller or offering to control how a needing is fulfilled; they will retain control.

Needings represent what the buyer is prepared to pay for and change accordingly.

Needings represent a mental construction tied to business thinking. Companies are driven by economic considerations. Buyers may have needs that exceed what they are prepared to pay for. They may express an interest in offering elements that are appealing as long as they are *free*. However, from a business point of view, the customer's economic resources will determine what they are prepared to pay for and what they prioritise. Thus, willingness to pay would be linked to how well the offering is linked to the firm's strategic objectives and, therefore, its needing. Customer needings are consequently related to the current and expected economic situation of the buyer as well as to expectations about pay-offs on investments. Changes in these factors would propel changes in customer needings.

Needings contain emotions and are related to changes in non-rational issues in business.

Even if customer needings are defined as mental constructions, we propose that emotions are inherently related to these constructions. The reason for having a certain opinion might be emotionally grounded. Such opinions might not be changed by rational arguments, such as sales arguments based on calculations or technical evidence. It has generally been shown that emotions play an important role in business-to-business relationships (e.g. Tähtinen and Blois, 2011). These emotions might be related to certain key persons or personal relationships. Emotions might

change; consequently, needings might be reinterpreted when changes occur around key persons or key personal relationships with the seller or other parties.

CONCLUSIONS

We believe that firms need to recognise that their offerings, promises or value propositions are assessed on the basis of the customer experiences therein and of the realisation of value in use in the customer context. The customer's time perspective is essential. Value in use may have a short or long duration, but it is always time-specific. It may not be possible to influence or even anticipate all potential sources of change, but for a seller, it becomes important to be alert and listen carefully to what happens in the business and in customer companies. Buyers, in turn, may not be able to resist all kinds of pressure for change, but it is often a matter of interpretation and strategic decision-making that impacts the different factors and situations relating to individual company needings. We feel that too little attention has been paid to context, competition and dynamics, i.e. the fact that things are relative and constantly changing. Additionally, we recognise the importance of immaterial sources of value; for example, values, images and emotions have been neglected.

Based on our empirical studies, we have come to the conclusion that the world from the customer's perspective looks different from the way it is seen from the sellers'. For the customer, the supplier offering as such is not at all important, nor is the matching of what the seller is able to offer and do with the company needs the foremost goal. What is in fact important is that the company has goals and that on its own and together with other companies, it aims to achieve them. How goals emerge and are fulfilled depend on many circumstances within and outside the company. Mental models are a significant factor in this since they form the basis of preferences, behaviour, activities and decisions. There is a strong dynamic element in this which cannot be ignored – mental models, goals and the means of achieving them are subject to change.

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CUSTOMER ACTIVITY: A RESEARCH AGENDA

Jacob Mickelsson and Michaela Lipkin

This chapter presents a research agenda for customer activity-focused service research. Customer activities are characterized as discrete units of behavior, which customers carry out to facilitate the emergence of value in their own lives or businesses. In this context, service can be viewed as an enabling element, which customers engage in to make their own activities possible. This activity perspective on service use opens up several new and interesting research areas, such as the analysis of customer activity networks, the role of services in such networks, and the development of the customer's activities around service use. The chapter ends with a discussion on the use of conventional and more innovative methodologies to empirically examine these topics.

INTRODUCTION

How do customers use services? Current conceptualizations of service use view the customer as the main beneficiary in a service process, either as a passive participant (e.g., Bitner et al., 2008) or as an active co-creator in the process of service production (e.g., McColl-Kennedy et al., 2012). However, both perspectives assume the service provider's point of view: The customer is seen as entering into a process of interaction with a service provider to enable the realization of a service. The consequence of such a view is that events, which are not directly linked to the interaction between actors or to the realization of a service, are of limited interest to marketers. In this chapter, we diverge from current thinking in service marketing and focus on the customer's perspective on a service. From this perspective, we argue that a service is an ingredient in the customer's activities and that these activities are initiated to serve the customer's goals. Customer activity refers to those customer activities, which from the customer's point of view, are related to the use of a particular service. Mickelsson (2013, p. 53) defined customer activities as "discrete sequences of behavior that aim at creating or supporting some type of value in the customer's life or business." The term "value" is here used in a broad sense, referring to any kind of desired state or outcome for the customer. In this context, the customer uses a service as an element in activities aimed at reaching one's goals.

The overall aim of this chapter is to outline a research agenda for customer activity as a perspective on service use. We argue that customer activity structures from the customer's own perspective are under-researched. The topic of customer activity contains significant potential for new knowledge about how customers use service. The remainder of the chapter is organized as follows. First, we provide a short overview of the role of customer activity in service research. Thereafter, we present suggestions for possible future research directions. The chapter ends with an outline of different methodologies suitable for studying customer activity.

WHAT IS CUSTOMER ACTIVITY?

The world has become increasingly complex, entailing a vast variety of possibilities for customers to engage themselves in different hobbies, interests or brands. Today, customers can easily search for information and, consequently, form their own opinions about service providers. Therefore, the old understanding of customers as objects influenced by market communication activities needs to be revised. Some researchers have begun to view customers as active creators and doers, who engage with service providers on their own terms, both in daily life and in business (Heinonen et al., 2010; Arantola-Hattab, 2013). Consequently, service providers need to understand how their offerings fit the customer's contexts. Advances in technology have made the investigation of customer activity easier, allowing customers to report on their activity using different types of technological tools (McDonald, Wilson and Konus, 2012).

Customer activity in service research

In service research, *interaction* has traditionally been the core concept for understanding a service (Grönroos, 2009; Ballantyne and Varey, 2006). Thus, researchers have usually viewed a service as comprising the actions of two (or more) parties as they interact with each other. From this perspective, the activity of the customer is seen only as an input into the realization of a service during the interaction process. This understanding is present in many current discussions on core service concepts, such as “cocreation” and the “customer experience.” In the first case, the customer is seen as one of the parties involved in realizing the outcomes of a service (e.g., Vargo and Lusch, 2008; Prahalad and Ramaswamy, 2004; McColl-Kennedy et al., 2012). In the second case, the customer's experiences are thought to arise from real or imagined interactions with a service provider (Helkkula, 2011; Helkkula et al., 2012). This means that their view is restricted to either real-world physical interactions or imaginary interactions, with mental representations of the service.

However, authors within the emerging research stream of customer-dominant logic (CDL) have proposed that a service must be viewed from the user's point of view to understand the value of that service to the customer (Heinonen et al., 2010; Heinonen et al., 2013). Rather than considering customers as operating within the context (i.e. frame of reference) of the service provider when using a service, CDL advocates investigating the opposite: How do customers integrate services into their lives or businesses? From such a perspective, the interaction is of secondary importance. Instead, the focus is shifted toward understanding the roles of the interactions from the customer's point of view. This is where the concept of activity comes in. By seeing service through the lens of activity, the customer's context, goals, and motivations are moved to the forefront, with service as an enabling element within the activities.

Customer activity as a perspective on service use

This chapter presents customer activity as a *perspective* on service use. The customer activity perspective highlights different aspects of service than other perspectives. For example, if we employ a *service-dominant* perspective, the research focus will be on understanding how different actors involved in service-enabling activities (i.e. the customer, provider, other customers, and complementary providers) together form and co-create a particular service (Vargo and Lusch, 2004, 2008, 2011). In contrast, the *experience* perspective focuses on how the customer's experience emerges through different types of events and interactions with the service, for example, through the customer's fantasies, feelings, and imaginings of a particular service (Arnould and Price, 1993; Helkkula, 2011; Helkkula et al., 2012). Finally, the *practice-theoretical* perspective on service highlights shared social practices, routines, and cultural meanings (Holttinen, 2010; McColl-Kennedy et al., 2012).

In contrast to the aforementioned perspectives, the *activity* perspective puts the focus squarely on what the customer is doing and what the customer wants to achieve. The activity perspective on a service will thus provide different insights into service use than those provided by other perspectives. By focusing on customer activity, researchers can gain an understanding of how customers organize their lives (or businesses) and what roles different service providers play in the customer's recurring activity systems. The role of a particular service provider will only be illuminated by considering the service provider-customer interaction in the wider context of the customer's recurring activities.

The nature of customer activity

Customer activities are defined as discrete sequences of behavior, which customers carry out to create or support the emergence of value in their lives or businesses (Mickelsson, 2013). In that sense, activities can be seen as units of human life (Leontyev, 1978). The activities are aimed at achieving a particular outcome (i.e. done "in order to") and framed by a set of existing conditions (done "because of") (Schatzki, 2010:111). Heinonen et al. (2010) and Mickelsson (2013) conceptualized three different types of customer activity: *core* activity, *related* activity, and *other* activity. Core activity denotes all those customer activities that are directly related to interacting with the different service elements offered by a particular provider. These are the types of customer activities that usually concern service providers. Service providers often neglect the other two types of activity (i.e. related and other activity). Heinonen et al. (2010) argued that all three activity types are central for understanding the customer's full experience of value. By examining the relationships between the different types of customer activity, the service provider can gain a deeper insight into how customers use their service (Mickelsson, 2013). This basic categorization of customer activity, combined with the definition of customer activity as a discrete sequence of behaviors aimed at creating or supporting value for the customer, serves as the basis for new types of research on service use.

What does customer activity add to service research?

Instead of focusing on the use of a service, the customer activity perspective enables a broader picture, encompassing elements that are not captured by current service research. These elements are related to the wider context that the service plays in the customer's life or business. In contrast to the service-dominant perspective, for example, an activity perspective goes beyond the emergence of service in interaction and instead looks at the customer's own structures of interrelated activities. These structures reach outside the scope of a particular service and instead converge around the customer's personal habits and goals.

This can be compared to the work of the Industrial Marketing and Purchasing (IMP) group, where activities form a core part of the ARA (Activities-Resources-Actors) model (Håkansson and Johansson, 1992). However, the IMP researchers characterize an activity as something that links businesses to each other (Håkansson and Snehota, 1995). Thus, the IMP viewpoint tends to limit the view of customer activities to those that are relevant to the direct *interaction* between the provider and the customer, rather than to the customer's value-creating processes.

The concept of customer activity also differs from the concept of consumption because it considers that the economic relationship with the provider is an important element. Holbrook (1987:128) defined consumer research as the study of "consummation in all its many aspects," (i.e. the different types of value provided for people when they are involved in activities aimed at "*achieving goals, fulfilling needs, or satisfying wants*" (p. 131). Thus, the role of being a consumer is very general and encompasses almost every part of daily life. However, the *customer* role is more interesting from a managerial perspective, as it stresses the direct connection between economic actors. Furthermore, despite some early scholars advocating research on activity structures to understand product and service use (i.e. Yankelovich, 1957; Boyd and Levy, 1963), consumer research has traditionally focused on psychological models, purchase decisions, and product use (Jacoby, 2002; MacInnis and Folkes, 2010). Sociologically oriented consumer research has only recently started to incorporate broader types of behavior, such as consumer practices (Warde, 2005; Arsel and Bean, 2013). However, the principal focus of this type of research is to explain the social rather than the individual roots of behavior and is thus not very interested in the customer as a creative, goal-oriented individual. In contrast, the concept of customer activity emphasizes what the customer does and why.

CUSTOMER ACTIVITY RESEARCH AREAS

The customer activity perspective on service use opens up many interesting and previously unexplored avenues for research. This section will discuss some initial suggestions for research areas in customer activity and service use. Four areas are presented: 1) customer activity networks, 2) the role of services in customer activity networks, 3) the development of customer activity, and 4) segmentation based on customer activity. These areas represent four fundamental problems related to customer activity: 1) How are customer activities linked to

each other? 2) what is the role of a service in networks of linked customer activities? 3) how do networks of customer activity develop? and 4) can customer groups be identified based on general activity profiles? We argue that addressing these problems should constitute the first step in research on customer activity. In the next section, we elaborate on the four mentioned research areas in customer activity and service use.

Customer activity networks

In service research, customer activity has usually been understood in terms of sequences, where one activity follows another (e.g. Bitner et al., 2008). Viewing customer activities as networks opens up new possibilities for research. This view does not refer to the networks of actors involved in creating a service, which is the usual case (e.g. Håkansson and Snehota, 1995; Vargo and Lush, 2011) but networks of customer activity, where a particular customer's activities are linked to each other in various ways. The traditional view of customer activity presents the customer's activities in terms of sequential stages (e.g. need recognition, which involves searches, comparisons, decisions, and evaluations (see Bunn, 1993). If we view customer activity as systems with interrelated elements instead of a just a series of sequential stages, a new picture emerges. Figure 1 illustrates the difference between the usual sequential view of customer activity and a systemic network view. In the first case, the activities follow each other chronologically, so that one activity leads to the next. In the second case, the focus is not on the chronological sequence but on the different types of *links* between the activities. The links between recurring, separate activities allow us to see them as forming *systems*, where what happens in one activity has an effect on other activities. When links are identified in customer's activities, these can be viewed as *activity networks* (Fig. 1). In contrast to *actor networks* (e.g. Håkansson and Snehota, 1995; Steinby, 2009), which show how different actors are connected to each other by means of bonds, activities, and resources, *activity networks* illustrate how *one particular actor's* recurring activities are connected to each other.

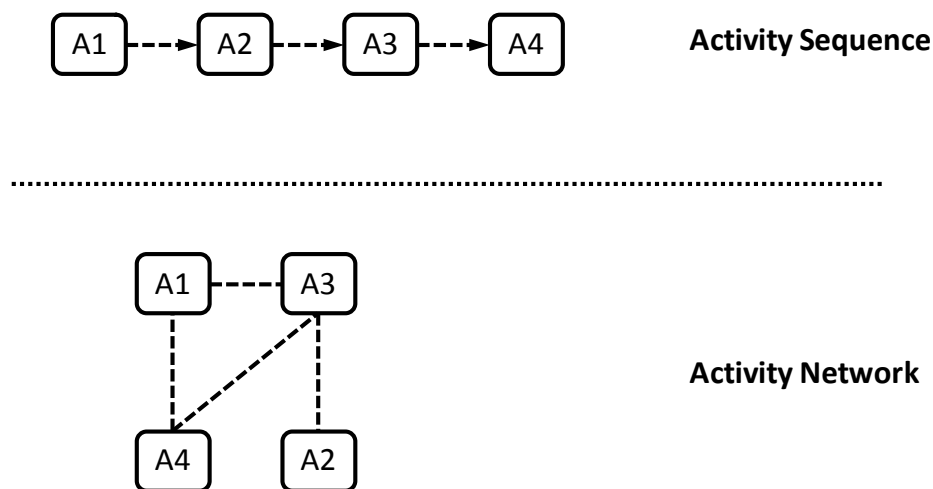


Figure 1. A sequential vs. a network view of activity

Thus, *activity sequences* and *activity networks* are two different ways of illustrating the relationships between the activities in a customer's *activity system*. The system is the underlying construct. A sequence simply shows in what order the activities take place. An activity network, however, demonstrates how the activity elements of the system are linked to each other beyond the chronological order they come in.

Activities can be linked to each other in many different ways. The most obvious type of link is a *functional* link. For a person to be able to perform a certain activity, another activity must first be completed: For example, the activities of shopping, reading recipes, and setting a date with friends (in no particular order) serve as inputs for the activity of cooking an elaborate dinner. Another type of link is *frequency*, which refers to activities that frequently occur together. Frequency links can be discovered by investigating the correlations between the frequencies of activities in a population, as suggested by Mickelsson (2013). To identify the activities that are relevant to a particular service, researchers look for activities that frequently appear together within a particular context. Other types of links include *resource links*, where resources acquired in one activity are used in another, and *geographical links*, where activities are linked and analyzed according to the physical place where they occur; *temporal links* refer to the different ways in which activities are linked by time, and *cognitive links* refer to how customers understand the relationships between different activities (see Håkansson and Snehota, 1995; Halinen and Törnroos, 2005).

More research on different types of linkages is needed. Insight into linkages between activities can be used to investigate whether different customer groups display different logics in their systems of activity. This may provide insight into the styles of service use adopted by different customer groups.

Another important question for research is how to delimit systems of customer activity. Traditionally, customer activity is delimited by a service process: What the customer does within the limits of the service process is recognized as customer activity (e.g. Eichentopf, Kleinaltenkamp and van Stiphout, 2011). However, to adopt a truly customer-focused point of view, the boundaries that determine which customer activities are to be brought into the analysis must be set from the customer's point of view. Which customer activities does the customer him- or herself see as relevant for the use of a particular service? A similar problem has been discussed in the context of business networks, where researchers have had to delimit the scope of the studied network. Halinen and Törnroos (2005) suggested that the network boundaries should be based on the research problem, so that only actors that are relevant to gaining insight into a particular problem are included. This principle can be transferred to the study of customer activity, where the research problem also should delimit the scope of the activities that are to be included in a particular study. Research is needed to find different ways of delimiting systems of customer activity.

The role of services in systems of customer activity

We also encourage researchers to study the fit between service-enabled activities and other customer activities. Mickelsson (2013) showed that if we view the customer's usage of a provider's service as only one activity among many others, these service-enabled activities can be linked to other related activities. For example, the activity of grocery shopping is related to the activities of checking the food supply in the refrigerator, reading recipes, and cooking meals. This type of understanding can help providers to identify different types of customer profiles and value-creation styles, as described by McColl-Kennedy et al. (2012). However, many questions remain to be answered. For example, does the logic underlying the fit of different types of service into the customer's network of activities differ? What is the role of the customer's level of involvement in the context or theme represented by the service? For example, if the service provider sells bicycles, how interested is the customer in the topic of cycling in general and how many cycling-related activities does the customer take part in? The role of the service provider is likely to differ depending on the answers. This leads directly to the question of whether different customer types require different types of support for their activity systems.

The development of customer activity

An interesting question from the service provider's point of view is how systems of customer activity emerge over time. Consider a system of customer activity that includes a service provider. Which customer activity should the firm first engage in as the system emerges? How do the systems change over time, as the customer's context and conditions change? Moreover, are there paths that lead customers from simple systems of activity to ones that are more complex? How can service providers discover such paths? Would it be in the providers' interest to support certain kinds of transitions from one type of activity system to another? We predict that due to developments in technology, the structures and properties of services offered will become more fluid to accommodate different customer activity styles.

Segmentation based on customer activity

When applying a customer activity perspective to a service, a rather important question from a managerial perspective is how to use it in business practice. Beyond using customer activity as an input for service development and innovation, we argue that this perspective is also useful for segmenting customers. Current segmentations are mostly based on geographic, demographic, psychographic, or behavioral factors (Lin, 2002). Behavioral segmentation is often limited to user data and customer database mining (e.g. Nasraoui, 2008; Sumathi and Sivanandam, 2006). The view of customer activity thus tends to be limited. However, a focus on customer activities that goes beyond service and company interactions can provide a more in-depth understanding of how customers use a particular service. An activity-centric approach allows us to construct profiles of customer activity. However, on what grounds can individual profiles be combined into customer groups and typologies? We see a need for

research that introduces practical approaches to segment customers according to their activity profiles.

METHODOLOGICAL SUGGESTIONS FOR EXPLORING CUSTOMER ACTIVITY

To date, very few studies have empirically examined customer activities from a CDL perspective (Heinonen et al., 2010; Mickelsson, 2013). Next, we present some methodological approaches, which service researchers and practitioners can apply when studying this topic. We first discuss more conventional methods (e.g. quantitative and qualitative research designs) that can be used to locate and characterize different types of customer activities, activity links, and activity networks. Thereafter, we move on to more innovative types of research, which take advantage of current technological advances (i.e. self-service technology, mobile applications, and different GPS tracking systems). We propose that these and other similar advances enable scholars to study customer activities in a cost- and time-efficient way. As the concept of customer activity *per se* presents a novel view on customer behavior and service usage, we contend that such innovative research tools are particularly suitable for increasing our knowledge of different types of activity systems.

Table 1 summarizes the suggested methodological research approaches for studying customer activity.

Table 1. Methodological approaches for studying customer activity

Method	Example of research aim
Conventional research	
<i>Qualitative approaches</i>	
In-depth interviews	<i>Understanding the meaning of different types of activities</i>
Observational studies	<i>Locating different types of customer activities that customers are not aware of themselves</i>
Ethnographic studies	<i>Characterizing the nature of different activity systems within a particular social context</i>
Netnography	<i>Studying online customer activity profiles</i>
<i>Quantitative approaches</i>	
Surveys and experimental research designs	<i>Mapping activities within the customer's life or business to identify broader service ecosystems</i>
Structural equation modeling	<i>Grouping different types of activities into higher- and lower-order constructs</i>
Data mining	<i>Combining different types of customer databases (and other) information to, for example, uncover activity sequences and patterns and create customer activity profiles based on this information</i>
Innovative research	
Photography and mobile applications	<i>Locating core-related and other activities</i>

Technological tracking devices	Identifying, for example, geographical and temporal activity links
Visualization techniques	Exploring complex customer activity information through visual means

Conventional approaches to customer activity research

We argue that it is possible to successfully plan, implement, and analyze both quantitative and qualitative research endeavors in activity research because activities from varying angles can be studied (Mickelsson, 2013). However, as with any research, the methodological choice should be grounded in the researcher's ontological and epistemological view of the construct, as well as the kind of research problem the researcher aims to solve (Gummerus, 2013).

There are three methodological problems in studies of customer activity: **1)** how to identify customer activities, **2)** how to understand the properties of customer activities, and **3)** how to discover different links between customer activities. We suggest that researchers initially approach customer activity research from a *qualitative* angle. With regard to the first methodological problem (i.e., how to identify customer activities), qualitative methods are frequently used to conduct research on customer behavior (e.g. Harris and Reynolds, 2003; Hollebeek, 2011). By utilizing in-depth or semi-structured interviews (Daniels and Cannice, 2004; Jarratt, 1996), researchers can obtain customer narratives and categorize sequences of these narratives into different types of activities. Qualitative data can also be used to approach the second methodological problem (i.e. how to understand the *properties* of customer activities), as it is likely to yield a broad understanding of activity characteristics and the nature of activity systems, as well as yield definitions of activity systems in particular contexts. Here, we consider that the observational approach is particularly useful. As Bernard (2000:318) noted, participant observation "puts the researchers where the action is and [enables them to] experience the lives of informants." Moreover, participant observation makes it possible for the researcher to detect consumer activities and routines, which consumers either do not notice themselves or take for granted (Patton, 2002). In that sense, scholars could use observational research to identify various activities that customers are not aware of themselves. This could also potentially shed light on different properties of customer activities (i.e. the second methodological problem stated above). Ethnographic research methods are well suited to addressing the third problem (i.e. how to discover different links between customer activities) (Hammersley and Atkinson, 1983; Arnould and Wallendorf, 1994). These methods can aid scholars in forming a more holistic understanding of consumers' socio-cultural patterns of behavior (Holttinen, 2010; Wägar, 2011), including different types of customer activity patterns and the nature of such patterns within distinct networks. Finally, we suggest that researchers conduct netnographic studies (see e.g. Kozinets, 2002; Murthy, 2008; Watson, Morgan and Hemmington, 2008). Through such data, researchers could gain insights into online customer activities and thus develop a better understanding of how customers behave and carry out different types of activities.

Furthermore, *quantitative research methods* present an opportunity to gain large amounts of data on customer activities, which researchers can then utilize to measure and link different

types of activities to each other (e.g. by using frequency correlation, see Mickelsson, 2013) and thus answer the third methodological problem presented above. Based on such data, it is also possible for researchers to map customers' activity systems and broader networks (Mickelsson, 2013). With the help of other methods, such as structural equation modeling, (Diamantopoulos, Riefler and Roth, 2008), researchers could further explain different hierarchical levels (higher-order vs. lower-order constructs) of activities. However, as the research area of customer activities remains nascent, we encourage researchers to base their quantitative research designs on qualitative prestudies (Edmondson and McManus, 2007). This is especially important to enable sound theory building around the topic and develop rigorous, valid, and reliable measurement scales that could measure, for instance, how different types of activities are related to customer attitudes, needs, and behavior. We also want to encourage researchers to access information in existing company databases (e.g. CRM and payment transaction databases), as such data makes it possible to combine different types of information that could be used in various ways, such as for uncovering activity sequences and patterns (e.g. Zhang et al., 2009). Based on identified activity patterns, researchers can then create consumer activity profiles and identify various types of value creation styles. Such data would further advance theories on the development of activities in particular contexts, as well as aid service firms in their service innovation, design, and strategy development (Mickelsson, 2013).

Innovative approaches to customer activity research

Activity research also presents opportunities for scholars to conduct research in nonconventional ways. By utilizing the current technological advancements in self-service technology and mobile applications, customer insights can be gained in real time (McDonald et al., 2012).

First, we propose that cell phones and associated applications could be of value in activity research. For example, if researchers wished to learn more about customer activities in relation to wine consumption, they could ask their customers to take photographs every time they did something associated with wine (e.g. visit a wine store or participate in family dinners), and upload them to a database. After the submission of these photographs, the researcher could analyze and categorize them into different activity levels, such as core-, related- and other activities (Mickelsson, 2013). As Basil (2011) and Schroeder (2003) noted, research, especially observational studies, would benefit greatly from applying photography as a research method and using it from both objective and subjective perspectives, coupled with qualitative or quantitative types of questions. Any type of marketing research can include this type of research method when examining consumer activities and behaviors in various settings.

Second, we encourage researchers to utilize different tracking technologies in studies of customer activity patterns. Various kinds of data on GPS systems in automobiles and consumer sports tracking devices could reveal how customer activities evolve over time and are embedded in the customer's daily life. For example, with the help of sport trackers,

researchers could study consumers' running activities over a longer period and thus take a longitudinal approach to customer activity research. These data could then be categorized according to *geographical* and *temporal activity links*, which would yield a more in-depth understanding of how a consumer's running patterns evolve over time and space. Likewise, data obtained from payment transactions, such as visa/debit cards and loyalty cards, could reveal *frequency links* between different types of transaction-related activities.

Finally, one of the main potential contributions of customer activity-focused service research is that it affords research on *systems* of customer activity. To analyze such systems, researchers must be able to tie together many different types of information, which can be gathered through any of the methods presented above. New methods for visualization of customer activity are also required to make systems of customer activity understandable. Activity network and system mapping (Mickelsson, 2014) is one such visualization method. With this method, customers' evaluations of the benefits and sacrifices of a set of interrelated activities are presented as a visual map, which shows how the customer perceives the differences between the activities.

CONCLUSION

This chapter presented four research areas for service research from a customer activity perspective. We argue that this is a fertile area and that there is much work to be done. The main areas for research presented here were customer activity networks, the role of services in networks of customer activity, the development of customer activity, and segmentation based on customer activity. These areas will be supplemented by other areas as the activity perspective matures. We also suggested different methodologies for studying customer activity, concluding that innovative research methods, such as mobile applications and technological tracking devices, can provide new types of information about customer activity.

We argue that customer activity is a promising concept for creating a deeper understanding of service use and customer value, particularly in the case of online and electronic services. Businesses are beginning to understand that they are often only providing *the means* for customers to carry out different activities, rather than facilitating a *service* as such. Thus, the customer activity perspective can help companies understand how to engage with customers in a way that supports the customers in their own context. Current conceptualizations of services often delimit managers' attention to the service itself, which can lead to marketing myopia, with managers at risk of losing touch with the role of their service in the larger context of the customer's life or business. By focusing on understanding customer activity, managers can gain a deeper insight into how a service is used rather than produced.

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VALUE CO-CREATION IN CUSTOMER'S LOGIC: FAMILY AS A CUSTOMER

Johanna Arantola-Hattab

This chapter contributes to the current theoretical discussion on service value co-creation. The underpinning framework is the Nordic School's customer-dominant logic (CDL). This perspective is applied to the conceptual development of investigating a family's experienced service value as a consequence of co-creation in visible and invisible interactions. Following this, in this paper co-creation is explored as a process in visible and invisible interactions leading to experienced service value. Through empirical examination, a categorisation model of co-created service value within a family is presented.

INTRODUCTION

The key motivation for the chapter is to discuss how family as a customer unit experiences co-created service value. The theoretical part introduces how value co-creation in a family needs to be investigated not only in interactions that are visible for the provider but in addition in invisible interactions between different family members that often remain unnoticed by the provider.

An explicit consideration of co-creation in invisible interactions within a customer unit has been lacking in business-to-consumer service marketing field. The earlier service marketing models, like blueprinting (Zeithaml, Bitner and Gremler, 2006), have highlighted aspects of service provider's operations that were invisible to the customer. Hence, the service provider view has explored interactions from a firm's perspective. Adding a customer-dominant perspective (Heinonen et al., 2010) shifts the discussion into the invisible interactions in a customer's life. Widening the investigation of co-creation beyond the visible interactions between the provider and its often undefined "customer" in singular to cover multiple invisible interactions clarifies the co-creation concept. The study argues that by widening the investigation of co-creation beyond the one-to-one interactions in the company-customer interface marketing will benefit from a deeper understanding of the invisible interactions in a family's everyday life that often otherwise remain unnoticed by a service provider. This understanding enables service providers to be better aware of the desires of individuals within a family. In addition, it encourages companies to keep in mind that the life of a family is full of experiences related to many other things than a specific service episode.

Furthermore, since in b-to-c marketing the focus on investigating value co-creation has mainly been on the dyad of provider and customer an interesting question remains: is the customer singular or plural, and does that have a meaning. This chapter presents a customer-grounded view, and analyses value co-creation from a customer unit perspective, the unit being a family. Only recently, Voima et al. (2011) have raised the importance of exploring a family as a system experiencing value. The particular perspective in this study is on how

family as a customer unit experiences co-created service value. This is investigated through the interpretations of working mothers and the service context is banking. The empirical part consists of interviews of mothers and describes how they evaluate co-created service value from the family unit perspective.

VISIBLE AND INVISIBLE CO-CREATION OF VALUE OF A CUSTOMER UNIT

Value co-creation is eagerly debated in service marketing literature, and the issue has seen considerable discussion during the past decade (Grönroos, 2000; Ballantyne, 2006; Vargo, Maglio and Akaka, 2008), particularly since the publication of the article on service-dominant logic (SDL) by Vargo and Lusch (2004). The term “co-creation” has been described as a provider-customer interaction in several different ways, for example, user involvement as a form of co-creation (Kristensson, Matthing and Johansson, 2008), co-creative engagements (Ramaswamy, 2010), or interactions and co-creation of value (Prahalad and Ramaswamy, 2004).

It is however worth noting that, despite the vigorous debate regarding co-creation during the past decade, the role of the customer as the one who defines the value of the product or service emerged in the academic discussion many years earlier. According to Levitt (1960), sales is preoccupied with the seller’s need to convert his product into cash, whereas the idea of marketing is to satisfy the needs of the customer with not only the product itself, but also a whole cluster of peripherals associated with creating, delivering, and finally consuming it. In a later article, Levitt (1980) points out that customers attach value to a product in proportion to its perceived ability to help them solve their problems or meet their needs; all else is derivative. Similarly, Normann (1984) recognises the role of the customer, as he suggests the focus should be on the interface between the customer and company, not on the production. According to him, business is generated by the customer relationship. When Levitt and Normann discuss the customer as a system from the provider’s perspective, this study adapts the thinking more into the customer’s world and shares the interests of CDL, like Heinonen et al. (2010). This study shifts the discussion into a b-to-c setting where a family consists of different family members contributing to the experienced service value of the family as a customer unit.

Although the concept of value co-creation has been established as a hot topic during the past decade, the foregoing discussion of the customer defined as a co-producer has equally focused on interaction between the firm and the customer (Grönroos, 1990; Wikström, 1996). Wikström (1996) writes that when the customer is a co-producer, the interaction between the parties should generate more value than a traditional transaction process, when the buyer and seller meet only briefly and exchange goods or services. The author states a deeper interaction between the seller and buyer improves the level of creativity on both sides and is likely to inspire new ways of doing business. Edvardsson (1996) contributes to this view by saying that understanding how to manage and improve quality in service requires an appreciation of the unique characteristics of the service industry. According to Edvardsson,

unlike manufacturing, the service experience involves the customer as a co-producer, i.e. that the customer undertakes actions necessary for service production/delivery.

Despite the abundance of contributions for describing value co-creation, the meaning of co-creation remains unclear. In fact, it can be argued that co-creation has been used widely in literature to describe the interaction between the firm and the customer without an unambiguous explanation. As such, the interaction has been of interest, like the role of customer, but what is lacking is a deeper look at how value is experienced in the customer's life through co-creation, and who, in fact, belongs to a customer unit experiencing and co-creating that value.

It seems the on-going discussion on value co-creation is following the earlier discussion of value creation, which also includes several definitions depending on the service marketing perspective the respective author follows. Even though there has been a change from value-in-exchange to value-in-use, Grönroos (2011b) argues that the process of value creation is among the most ill-defined, poorly used concepts in service marketing. Value co-creation within service research is mainly discussed as a process between the service provider and the customer. The Nordic School emphasises joint value creation, which during a relationship merges into one integrated process between the customer and the provider (Grönroos and Ravald, 2011). The customer's independent value creation is described as value-in-use (Grönroos, 2011b; Echeverri and Skålen, 2011). According to this service logic -based view, co-creation opportunities are limited to the interactions in which the provider and the customer are in contact with each other and jointly co-create value. The involved parties are defined to be involved in some contact to influence each other's processes (Grönroos and Ravald, 2011). According to Grönroos and Voima (2012), the joint and simultaneous interaction is defined as the joint sphere where customer is the value creator, and only during these direct interactions does the provider become a co-creator when invited to the dialogical process.

The service dominant-based view emphasises that co-creation of value inherently requires participation of more than one service system and that value is created through exchange in interaction (Vargo et al., 2008). The focus is on how service is exchanged for service in a process that requires participation of both the provider and the customer, and value is co-created mutually during the interactions (Vargo and Lusch, 2004; Payne, Storbacka and Frow, 2008). The focus is more on co-creation as a process than discussing who represents the co-creator. Here, the single customer represents the co-creator from the customer's side.

When adding the customer dominant-based view (Heinonen et al., 2010) of the service becoming embedded in the customer's life before, during, and after the interaction, the limitation of co-creation of value taking place only during joint interactions in the customer-provider interface becomes interesting. This raises several questions. If the provider can influence the customer's experiences directly and actively only during interactions, as defined by Grönroos and Ravald (2011), and what is happening in the customer's life before or after the interaction? Furthermore, what are the effects of the provider's offerings in the customer's life, and who is involved in a customer unit's value experience?

My enthusiasm for investigating value co-creation resulted from a literature review that I conducted for my doctoral thesis (Arantola-Hattab, 2013), and which disclosed that theoretical and empirical further research is needed to define value co-creation more concretely. Customer's experienced service value needs to be investigated more strongly as a consequence of value co-creation covering both visible and invisible interactions of a customer unit, as Figure 1 illustrates.

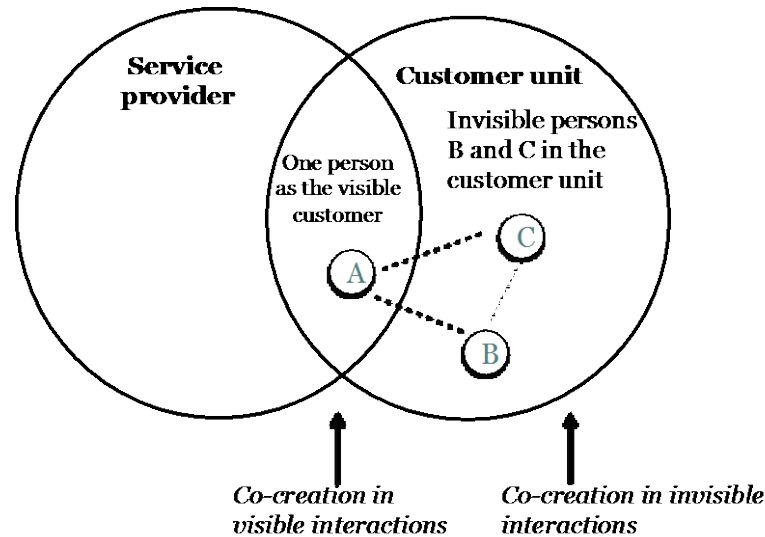


Figure 1. A twofold investigation including both visible and invisible co-creation of a customer unit is essential (Arantola-Hattab, 2013:2)

Next, I will discuss the customer role in value co-creation.

ROLE OF THE CUSTOMER IN VALUE CO-CREATION

Lately, in the vigorous debate on value co-creation, the role of the customer has been questioned. Customer dominant logic (Heinonen et al., 2010) asserts the customer is yet seen as a target and the approach is still provider driven. Furthermore, the term “co-creation” is questioned since value is not seen as something that is always actively and mutually created (Voima, Heinonen and Strandvik, 2010). According to the authors, value formation may also be a passive process without the customer even being aware of it (Voima et al., 2010). Additionally, value is defined as something that is formed in the customer's life based on experiences, not only during the interaction but also before and after it (Heinonen et al., 2010). Consequently, firms should increase their understanding regarding how customers integrate services into their own activity systems and thus get an opportunity to become better embedded in customers' lives (Voima et al., 2010; Voima et al., 2011).

The interaction concept plays a key role in service marketing in the Nordic School research tradition (Grönroos, 1982, 2011a; Gummesson, 1991). Grönroos (2009) argues the processes of the customer and the firm run parallel and are integrated into one joint value co-creation process in which the firm can be directly engaged with its customers' value fulfilment. The

unique contribution of service logic offers opportunities for firms to become co-creators of value, but only if interaction exists. Since provider and customer processes partly occur simultaneously, interactions exist during which customers get opportunities for co-production with the firm. From the value-creation perspective, value-in-use takes place in the customer's sphere, and the supplier may get the chance to support the customer's value creation by engaging with the customer's usage process (Grönroos, 2011a; Grönroos and Ravald, 2011).

Grönroos (2011a) argues that, without the existence of interaction, the supplier has no value co-creation opportunities, and therefore, co-creation requires that the supplier and the customer be simultaneously present in the joint value creation process. Grönroos (2011a) states further that in isolation, the supplier is the facilitator and the customer is the sole value creator. According to Grönroos and Voima (2012), the interaction is defined as the joint sphere where customer is the value creator, and only during direct interactions is the provider invited as a co-creator to the dialogical process.

Exploring further, customer dominant logic (Heinonen et al., 2010) argues there is a need to contrast the traditional company-oriented view of involving the customer in service co-creation with a customer-oriented view of involving the service provider in the customer's life. Customer dominant logic emphasises the focus on understanding the customer's life, not on the service interaction process, as proposed in the both service logics. From the customer dominant perspective, co-creation is not always a straightforward activity in which the company controls the interaction, making the company perspective a starting point. The service experience is more than a process of perception: It is a process of long-term, context-bound relating. Understanding practises is not enough, but understanding the customer's different roles and profiles in everyday life will give the opportunity to offer a choice for the customer because customers fulfil their tasks, and service is a secondary issue. Thus, companies should understand how customers integrate service into their own activity systems (Heinonen et al., 2010) instead of focusing on what they could offer the customer.

Following Heinonen et al. (2010), a deeper knowledge of the customer's life is needed. Figure 2 portrays an adaption from the original model, which shows the customer's perspective focuses not only on the producer's service, but the customer's total experiences in life, before, during, and after the interaction. The shaded area of the Customer refers not only to the service episode in the interaction with the Company X, but also to possible intentions, willingness, and other factors in the customer's world that may allow co-creation (Heinonen et al., 2010).

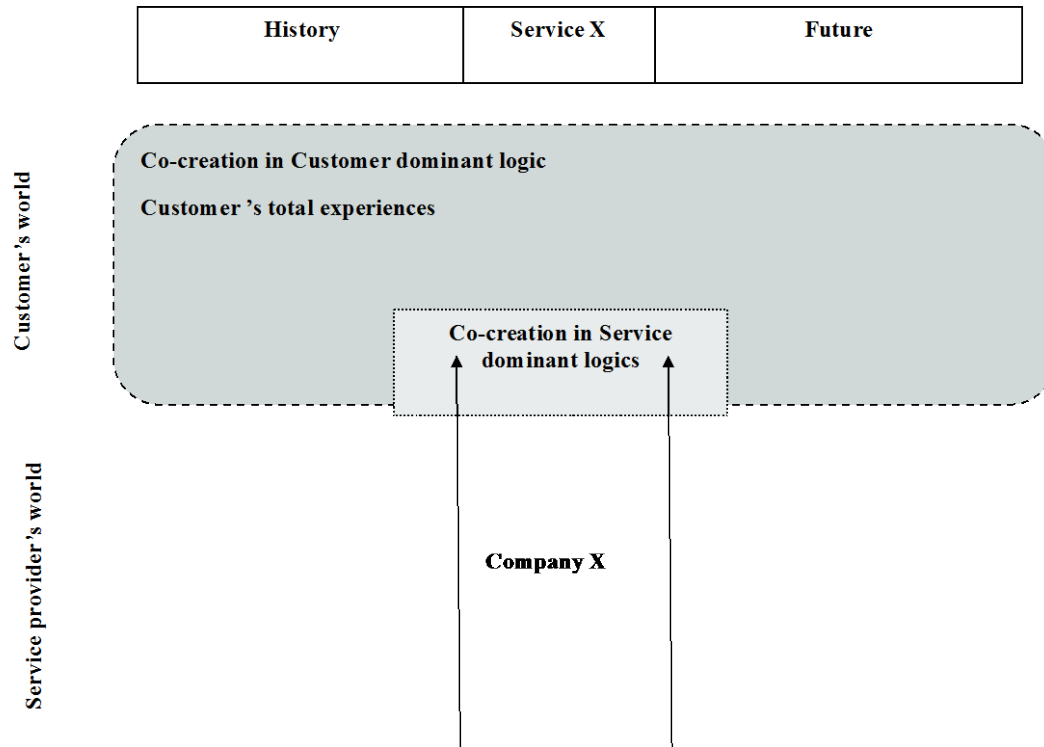


Figure 2. Co-creation in Customer dominant logic contrasted with co-creation in Service dominant logics (Adapted from Heinonen et al., 2010:535)

Based on this alternative view on value co-creation in a family context where family is discussed as a customer unit, an empirical study was conducted. This study will be discussed next.

AN EMPIRICAL STUDY EXPLORING A FAMILY 'S EXPERIENCED SERVICE VALUE

An empirical study illustrates how a family as a customer experiences co-created service value. This is explored through the mother's interpretation and the focus is on banking service. It is important to note service in this study is not limited to a specific episode between the bank and a customer. Rather, service is investigated as a more longitudinal aspect in interactions in a relationship. The respondents were not asked to describe a specific incident with a bank but rather to discuss their experiences in a banking relationship.

The study consists of 15 in-depth interviews of working mothers who interpret their often hectic daily lives, responsibilities, and activities. The sample consisted of a somewhat homogenous sample (Patton, 2002), the purpose of which is to describe a particular subgroup of people in depth, in this paper, working mothers. To avoid the risk of the researcher being too personally involved with the people who have similar lifestyles that might influence

objectivity (Silverman, 2010), respondents with different educational levels, professions, and marital status were asked to participate. The professions represented in the sample were, for example, dentist, teacher, business consultant, nurse, entrepreneur, graphic designer, and a lawyer. During the recruit phase, the respondents were explained that the study focused on exploring how working mothers live their everyday lives and the interest would be in their experience with banks. The ages of the children as such were not important, rather them living at home in the same household and hence being part of the family's everyday life. Based on this background, they discuss their experiences and opinions about their banking service. The empirical study illustrates how mothers discuss not only their individual but in addition, their family's needs with a bank. During the interviews the respondents interpreted their service experience with the bank both as individual, *me*, and collectively for the whole family, *us*. Thus, the study recognized a need to widen the investigation of co-creation beyond the *visible interactions* between the bank and the mother - the one interacting with the bank - to cover *invisible interactions* between the different family members that often remain invisible for the bank. It is worth noting that the family members that were mostly discussed in the invisible interactions were children. This is coherent as the empirical study was conducted through the interpretation of the mothers who often are responsible for the different daily challenges concerning their children. This study indicates that mothers are often responsible for the household's daily banking issues, such as getting bankcards for the teenagers or executing smaller financial transactions to the children's accounts for everyday purchases.

The study's empirical analysis indicated that experienced service value is a consequence of both co-creation in visible interactions in the provider-customer interface (A), and invisible co-creation processes among various actors within a customer unit (A-B-C). This suggests a need to examine both visible and invisible co-creation (Figure 3).

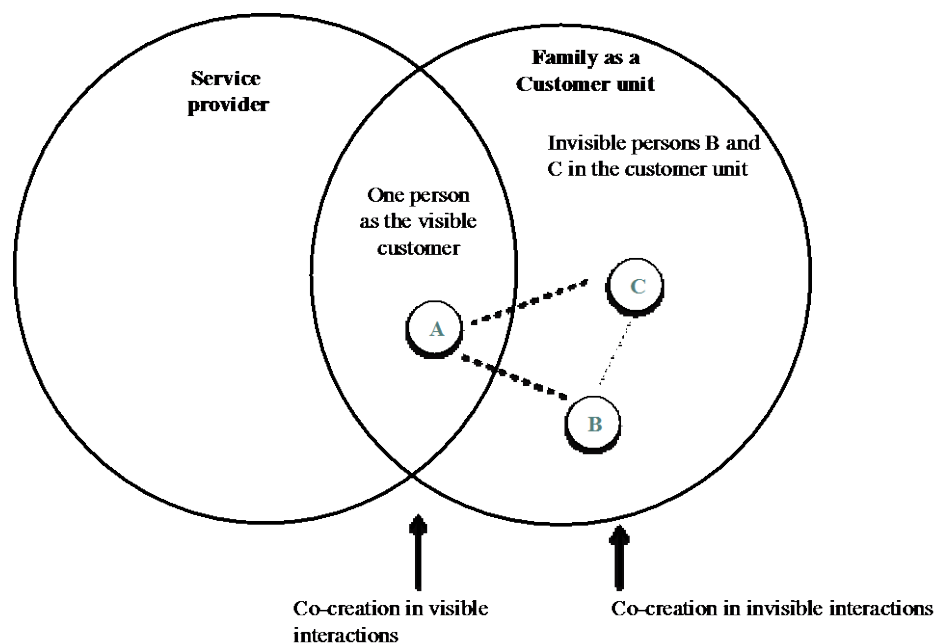


Figure 3. Co-creation in visible and invisible interactions

The data included transcripts from audio recording. The transcripts of the interviews were in line with the recommendation by Thompson, Locander and Pollio (1989), who argue the ideal format occurs when the interviewer uses short, descriptive questions and clarifying sentences providing an opening for the respondent's more detailed answers. The next step, "extracting significant statements," required identifying key sentences and terms related to the phenomenon under study (Goulding, 2005), how working mothers experience banking service in their everyday life. The analysis process followed Goulding's argument that the goal is to describe the lived experiences rather than focus on conceptually abstract terms. Consequently, it was important to use the respondents' own terms to stay on the level of the lived experience (Goulding, 2005). Following this, the study presents authentic quotes of the respondents carefully translated from Finnish to English to give the reader an understanding of the used expressions and terms and be honest to the respondents' voices.

The first step was to interpret the stories of the different respondents. To identify different themes summaries of each interview were constructed. Thereafter, the identified themes were clustered (Figure 4). The identified themes were reduced into an essential structure (Goulding, 2005) according to five value dimensions used in the study: the *technical*, *functional*, *temporal*, *spatial*, and *personal* with the help of the questions: "what," "how," "when," "where," and "who". The dimension with related questions will be discussed in detail in the following section when presenting the categorisation model for the family's experienced service value as a consequence of visible and invisible co-creation.

As an example, in the column "how" illustrating the functional dimension, the identified themes regarding how the respondents described the easy way of paying the bills on the web was first marked. The markings were coded according to the respondents (like F, B, or I) whose specific answers were gathered under this theme. Thereafter, the themes were clustered under a common topic, say, "Making daily routines easy", reflecting *efficiency* as the identified main category for *functional* dimension. This example is related to the category "experienced service value in visible interactions" reflecting the interactions between the bank and the mother as a single individual. However, adding the invisible interactions reflecting the experiences of several family members, the complexity of the customer unit increases as several people need to be involved in the process. This will be discussed more in-depth in the following section.

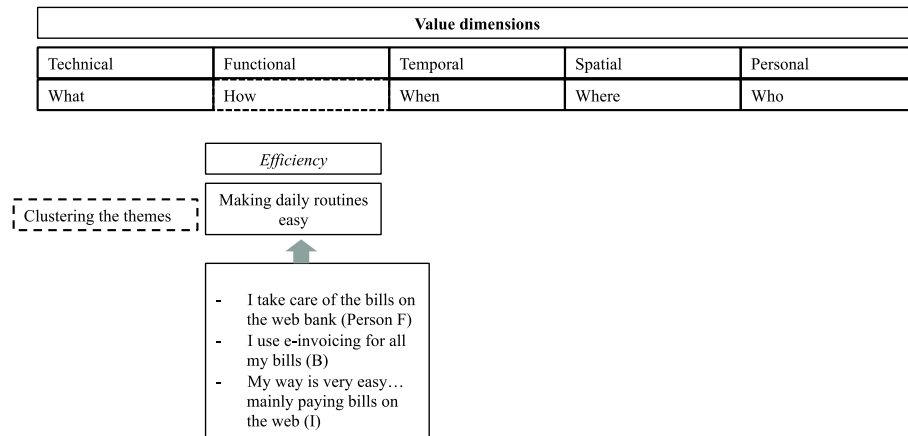


Figure 4. Clustering the themes to an essential structure

Similarly, all the five dimensions were investigated separately regarding co-creation in visible and invisible interactions to provide insight for creating a categorisation model for co-created service value in a family. For each dimension several themes, the number varying from three to ten in each were identified.

A CATEGORISATION MODEL FOR CO-CREATED SERVICE VALUE WITHIN A FAMILY

In earlier research (Grönroos, 1982; Heinonen, 2004; Heinonen and Strandvik, 2009), value dimensions have been investigated as drivers for customer's value experience mainly in visible interactions. The conceptual model in this section is built on earlier service research models presenting customer-perceived value (Heinonen, 2004) and service quality (Grönroos, 1982). The former is an extended model of the latter, and it adds two new value dimensions, namely the spatial and temporal, to the previous model, consisting of technical and functional dimensions studying the customer's experienced value. According to Grönroos (2011b), experienced service value results from the technical and functional dimensions. In this study, the *technical dimension* is under scrutiny, supported by the question word "what", which is used to describe the final content the customer has been offered. This study adapts the term "offer" from the previously used "core offering" (Holmlund, 1997), because "offer" describes what the provider has proposed from the customer's perspective. Hence, the technical dimension in this study is described as an offer, instead of an outcome. The *functional dimension*, again, describes the process of *how* service is experienced. It has been defined to involve aspects such as attitudes, trustworthiness, and behaviour of the service employee in the customer-service provider interaction (Grönroos, 1982). Heinonen (2004) discusses the functional dimension referring to the customer's own activities in the service delivery process, for example, getting assistance with technical issues, if needed. However, it remains open for interpretation because the functional dimension includes aspects referring to service personnel in interactions and the customer's active role in the service delivery process.

In her study, Heinonen (2004) conceptualises customer-perceived value as a function of the benefit and sacrifice components (Zeithaml, 1988). Customer-perceived value is defined as

the subjective trade-off between the benefit and sacrifice of technical, functional, temporal, and spatial value dimensions (Heinonen, 2004:92). Building on these two earlier studies, Heinonen and Strandvik (2009) present a new conceptual approach for analysing the experienced service value of the customer. The presented multidimensional approach explicitly considers the influence of time and place on service value. In this study, these five dimensions are investigated more in-depth by using specific questions for each, namely “*what*”, “*how*”, “*when*”, “*where*”, and “*who*”, which all are related to a customer’s diverse experiences in a specific service context – in this thesis, banking service. These questions follow the earlier definitions that have been used for the four different value dimensions (Grönroos, 1982; Heinonen, 2004). However, this study discovers that the role of the person who is representing the service provider in an interaction plays a significant role in co-creation for the customer. Therefore, this person should be separated from the functional dimensions, where s/he has been included in earlier studies. Hence, the study adds a fifth dimensions: *the personal dimension* that is investigated by using the word “*who*”. Consequently, this study discusses altogether five dimensions, namely the *technical*, *functional*, *temporal*, *spatial*, and the new one in service research, the *personal* dimension.

As this study recognizes the need to examine value dimensions beyond the visibility line to cover invisible interactions, Figure 5 illustrates the different dimensions as platforms for exploring different entities¹ of co-creation covering both the visible and invisible sphere of the customer unit. The term *entity* is chosen to describe how reality is presented in experience. The *experienced service value* in the table encompasses both the visible interactions between the bank and the mother as the visible customer and the invisible interactions between the different family members that the bank often neglects.

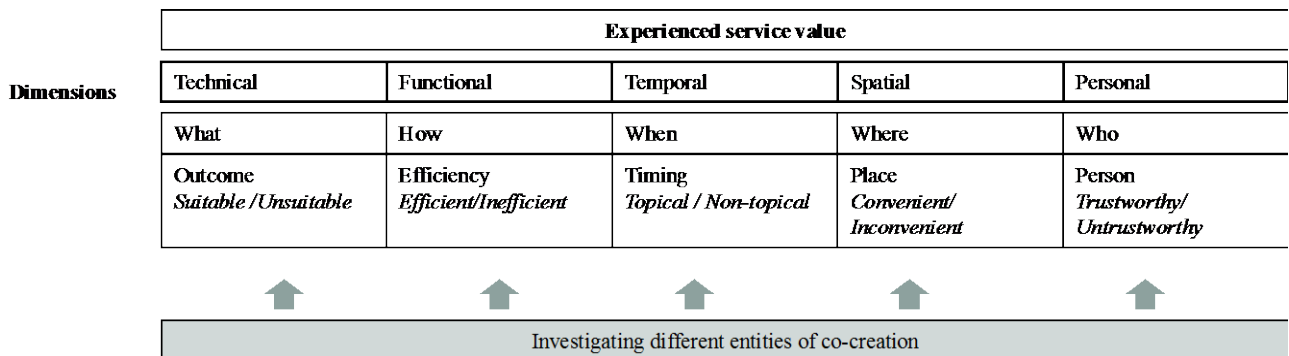


Figure 5. The customer’s experienced service value as a consequence of different entities of co-creation

¹ “entity = separate existence”; “existence = reality as presented in experience.”

Merriam-Webster.com.2013. <http://www.merriam-webster.com>

(10 February 2014)

The five value dimensions under scrutiny are illustrated as follows:

The *technical dimension* describes the final content, the offer, for the customer, answering to the question “what has been offered”. In the study this was identified for example as a satisfactory loan offer from the customer’s view and hence, it was experienced as a *suitable* offer. An *unsuitable* offer occurred, for instance when a customer was offered a specific bankcard when she was actually interested in negotiating a house loan.

... I had enough of this person immediately when she was just pushing with the MasterCard all the time when I was discussing about a house loan. ... It was obviously written in their instructions that the card should now be marketed to customers. (Informant L)

The example underlines the importance for the bank to focus on the customer’s needs and not on its own momentary campaigns, often based on a bonus system for the employee. Hence, instead of having a provider-dominant view companies should support the customer in getting suitable offers she is interested in.

The second dimension is the *functional dimension* describing how the service process is experienced. If the process is too complex, like the next example describing how several family members were asked to come to the bank together to pick up a new bankcard, the process is *inefficient*.

Our daughter lost her card recently, and we ordered her a new one that we should pick up this week. She needs to come with me to pick it up, which has made this a bit complicated. ... It would make it easier if they sent it home like they have sent our cards as well. I have been wondering why we need to go and pick it up from the bank. (Informant K)

On the other hand, as paying bills on the web has become an everyday routine for customers, the process can be described as *efficient*.

My way of using banking service is very easy at the moment; it is mainly paying bills on the web. (Informant I)

The third dimension, the *temporal* one, illustrates the importance of timing, in this study described as *topicality* in the customer’s life. A common example that was used by the respondents in the study was a Visa Electron² card to the children. If the timing is too early, let say when a child is 10 years old, it is not interesting yet. On the other hand, if the timing is late when a teenager is 15 years, it is s a missed opportunity for the bank. - At the moment it seems that 12-13 years is the right age.

I wish that the bank had followed the ages of our children and done some pre-marketing. The children have their accounts there, and it would have been easy for them to see that there is nothing going on their accounts, and they could have made a suggestion to get an own bankcard. (Informant A)

² Visa Electron is a card for cash withdrawals and payment of purchases and invoices. Cash withdrawals and purchases are debited directly to the bank account linked to the card. The bank account is always up to date, as a cover reservation for card transactions – cash withdrawals or card purchases – is made to the account in real time. For minors, the card is free of charge.

Hence, the study enlightens the importance for the bank as a service provider to widen its understanding beyond the visible interactions to cover the invisible interactions between the different family members. The customer thus is not only one person but also represents several.

The fourth dimension, the *spatial dimension*, regards the physical location where to use a service. The study shows that a bank as a physical place has become more distant, and the possibility to choose whether to handle banking issues in a bank is related to *convenience*. In bigger issues like loan negotiations customers are more willing to visit the bank. It is notable that convenience vs. inconvenience is often related to the long waiting times at the bank. For example one of the respondents says that she does not really care whether the bank is big or small, modern or not since the waiting times are always equally long. Hence, this example describes well how the different value dimensions are intertwined, like here the time and place.

I have come to the conclusion that it does not matter whether the bank branch is big or small, modern or not, since the waiting times are anyhow always equally long. I do not like to stand there in the queue and hold my number in my hand without doing anything. ... I think that 10 to 15 minutes waiting time is much too long, as I always combine the banking issues with five to seven other issues that I need to take care of. Then I start to speculate if I could go and take care of something else while waiting since my schedules are quite tight, ... but then I have the feeling all the time that I should be back at the bank already. ... I really get upset about this. (Informant L)

The fifth dimension is the *personal dimension*. In so far in service marketing research, behavior of the service personnel in the interactions has been included in the functional dimension describing the process (Grönroos, 1982; Heinonen, 2004). This study argues that adding the personal dimension as a separate one enables a closer investigation of the importance of the service person in charge. Despite the advanced technology that allows customers more freedom to perform daily tasks on the Internet, the study reveals personal service still plays a role in a service relationship. A trustworthy person who knows the customer's situation and background is appreciated. Hence, *trustworthiness* plays a significant role. It is notable that this does not necessarily mean that the person should always be the same; more important is that the service person in charge understands the customer's current situation well.

We have a personal banking advisor. It has been nice, since if you have a question, you can put it forward to her, and she will take care of it. There is nothing you would not like to ask her, you know, like feeling that this is a bit stupid. She will explain it to you, both negative and positive aspects, so that you will certainly understand it. We have had her for ten years at least. ... We have to go to another city to our bank to meet her, but on the other hand, she knows her job well and is up-to-date regarding all kinds of changes. That's why I haven't even thought about switching to another bank when there is such a trusted person.

The identified entities in the empirical analysis are grouped as main categories (column 2) and subcategories (columns 3 and 4) for closer investigation of service value co-creation (Table 1). Next, the categories will be discussed more in detail.

Table 1. Main categories and subcategories of different entities of service value co-creation

	Different entities of service value co-creation		
Dimensions	Identified Main categories	Identified Subcategories/Visible co-creation	Identified Subcategories/Invisible co-creation
Technical (Offer)	Suitability	- Fit - Manner - Activity	- Fit - Manner - Activity
Functional (Process)	Efficiency	- Flexibility - Type - Activity	- Flexibility - Easiness
Temporal (Timing)	Topicality	- Topicality - Fit - Flexibility	- Topicality - Teaching
Spatial (Place)	Convenience	- Frequency - Flexibility - Speed - Familiarity	- Child-friendliness - Flexibility - Simplicity
Personal (Person)	Trustworthiness	- Personality - Familiarity - Simplicity	- Personality - Familiarity - Trust - Activity

The identified main categories emerged from the data to be similar both for the visible co-creation of an individual - the mother talking about “me” - as well as for the invisible co-creation within the family, through the mother’ interpretation of “us”. The identified main categories are the following: *suitability*, *efficiency*, *topicality*, *convenience*, and *trustworthiness*.

The model illustrates further that a deeper investigation beyond the identified main categories enables to identify subcategories that to some extent are different. It can be argued that when several family members are involved, complexity for the unit increases. For example, in the *functional dimension* (describing efficiency) *flexibility* is identified as a subcategory for both visible and invisible co-creation illustrating the importance of flexible banking process in the everyday lives of the respondents. *Type* and *activity* describe the importance for an individual to receive right kind of messages, not too complicated to go through, and a desire for a bank to be active regarding the customer’s actual needs during a meeting. Adding children to the discussion, *easiness* again becomes essential, along with a desire for simple processes, such as not demanding that more than one person be present to pick up a new bankcard after one is lost. Similarly, under *topicality*, the desire for *teaching* banking services arises only when discussing actual and future needs of children. Hence, collective needs of the customer unit include aspects related to needs of several persons; thus, there is a desire for processes to be as smooth as they would be in meeting individual needs to reduce the everyday complexity of a family.

DISCUSSION

The chapter demonstrates the investigation of value co-creation should be extended beyond the *visible interactions* at the provider-customer interface to cover, for the provider, *invisible* interactions of a customer unit. Grönroos and Voima (2012) have recognized on a conceptual level the need to make a distinction between direct and indirect interactions. According to them, interaction is a dialogical process in which both customer and provider are active. The findings on the empirical part of this study indicated the divide between visible and invisible interactions was more significant than a separation between direct and indirect interactions. For example, a respondent illustrated that she needed to sign a huge number of papers for a specific service she had requested from the bank. In the situation, she was the visible person for the bank. Later, she explained she contacted the bank when her son wanted to have his own bankcard. Despite the bank's knowing the ages of her children, she was the one to take initiative. The children and their actual needs leading to co-creation within the family had remained invisible for the bank and were only realised when the mother approached the bank for this specific need. Therefore, an improved understanding of both the visible and invisible co-creation of the customer unit would enable the bank to take a more active role in the relationship.

The findings of this study support earlier scholars who have noted that value is also formed in invisible and mental settings (Heinonen et al., 2010; Voima et al., 2010). This study contributes to the notification of interactions between the customer and the provider being also advertisements, virtual or word-of-mouth (Grönroos and Voima, 2012). This study suggests further that, with technology's rapid changes, there is a need to develop certain terms and concepts like "interaction." If "interaction" earlier had been characterised mainly as something in which both parties were simultaneously present, the development of information technology has led to situations in which the simultaneous person-to-person presence is not necessary. For example, paying bills on the Web in the empirical study was recognised as something that was taken for granted. In other words, the bank has made a proposal of a system to be used efficiently and easy, and both parties benefit. Likewise, other solutions in the future will enable effortless ways of service, which demands we follow the technological shift when using and defining words, as the aim of research is to produce new knowledge.

The study indicates the interviewed mothers discuss their co-creation with the bank in singular, *me*, as the one who is interacting. In addition, the mothers evaluate co-created service value from the family unit perspective as there are several family members, and the discussion is about *us*, through the interpretation of the mother. The findings show the mothers feel the bank as a service provider should notice the children better as a part of the family. It seems the bank is not always actively interested in the children's specific needs, and the interactions regarding bank-related issues within the family remain invisible. In fact, bank-related issues within the family could be opportunities for the provider, like being more aware of the needs of the children at a specific age. For example, offering a special bankcard to children would make the everyday life of the whole family easier because the annoying, daily discussions regarding cash would decrease. Therefore, this study recognises a need for a

service provider to increase understanding of a family as a customer unit in interactions. The presented categorization model is applicable for investigation of visible and visible interactions within different businesses. For example mobile operators could benefit from this model when investigating family as a customer and increasing understanding of the everyday interactions between family members. For instance, they could offer mobile services easy to follow-up and pre-actively change based on the continuously changing needs of the children. Also retail could benefit from this model by going beyond the investigation of a purchasing process of a family by increasing understanding how family as a customer experiences value of a certain service. Furthermore, in health-care the question regarding who is the customer when a child or an elderly person needs care would be interesting for future research.

Applying customer dominant logic arguing that companies should become better aware of a customer's life enables a deeper investigation when exploring how the customers live their everyday lives. Concluded, marketing is not about offering a teenager a bankcard with a tempting picture – it is about understanding the everyday, experienced service value the card brings the whole family.

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EXPLORING CHANGE IN CUSTOMER EXPERIENCE: THE CASE OF SPORTS-TRACKING MOBILE SERVICE

Michaela Lipkin and Kristina Heinonen

Thus far, much service literature has approached customer experience as a rather static phenomenon, confined to interactions during the service encounter. In line with the Nordic School of thought, we take on a more dynamic approach, arguing that customers experience service beyond the firm's actions and interactions. Consequently, the customer experience is also apt to change due to factors outside the firm's control. Based on a study conducted among 18 customers of a sports-tracking mobile service, this paper aims to describe customer-originated, change-triggering factors. We characterise the factors into two main categories of change: 1) long-term and 2) short-term change. Within each category, we then describe change-triggering factors, including frequency of running, physical progress, co-runners and friends, individual running performance, mood, unexpected events and running location. The findings help service firms understand how customers experience their service beyond the firm's actions within their own context. The chapter ends with suggestions for managers on how to manage such change.

INTRODUCTION

Over the past decades, scholars have extensively addressed the concept of *customer experience* (Gentile, Spiller and Noci, 2007). Despite the notion that service exchange and value creation is dynamic in nature (Edvardsson, Tronvoll and Gruber, 2011; Flint, Woodruff and Gardial, 2002), research has traditionally approached experiences as rather static; they are designed and controlled by the firm through direct and indirect interactions (Berry, Carbone and Haeckel, 2002; Meyer and Schwager, 2007). However, several scholars (e.g. Heinonen et al., 2010; Helkkula, Kelleher and Pihlström, 2012; Verhoef et al., 2009), especially within the Nordic School of thought (see Gummesson and Grönroos, 2012), challenge this view, arguing that customer experiences are in fact dynamic and emergent in nature, orchestrated by customers in their own social life worlds.

Some authors (Verhoef et al., 2009) note the importance of understanding the customer experience as holistic and dynamic, formed through a combination of experiences evolving over time. Yet, research on the topic remains scarce (Verhoef et al., 2009; Walter and Edvardsson, 2012). In other fields, such as relationship marketing, scholars have acknowledged the dynamics of relationships, discussing factors causing, for example, their initiation, fading and ending (Halinen and Tähtinen, 2002; Heinonen, 2011; Roos, 1999). Researchers have also focused on different types of change categories. For example, Roos (1999) explored customer switching behaviour and suggested three determinants that cause permanent, temporary or swaying relationship switching and presented a framework capturing the underlying factors leading to such switching decisions. Within the customer experience literature, however, few studies examine similar change-triggering factors or

change characteristics (Walter and Edvardsson, 2012). Since the provider-dominant perspective emphasizing the firm's processes and activities continues to dominate marketing research (Heinonen, Strandvik and Voima, 2013), when discussing dynamics, scholars also tend to highlight firm-originated factors (e.g. Walls et al., 2011; Walter and Edvardsson, 2012) over customer-originated ones. In line with Medberg and Heinonen (2014) who emphasised customer experiences outside the firm domain, we define customer-originated factors as factors that originate from the customer *per se* or the customer's context.

We argue that studying experience dynamics is essential for future development of service and customer experience research. By examining change-triggering factors and different categories of change, researchers will gain a more in-depth understanding of the experience phenomenon's holistic and evolving nature. Moreover, in a time when the customer has become more knowledgeable, demanding and empowered than ever before (Heinonen, 2014), the firm needs a much wider and deeper understanding of the customer's logic and context to successfully remain on the market. It is thus timely and relevant for researchers to also acknowledge customer-originated factors when examining customer experience dynamics. By recognizing such factors, both researchers and practitioners will expand their knowledge about the customer's logic and how the customer integrates different services into a lifetime of accumulated experiences.

This chapter aims to describe customer experience dynamics by **1) identifying customer-originated factors that trigger changes in the customer experience** and **2) classifying these factors into different change categories**. This chapter contributes to the existing service and customer experience literature by acknowledging the sources of dynamics beyond firm actions, interactions and core service encounters. We utilize qualitative data collected among customers of a sports-tracking mobile service to illustrate the change-triggering factors. In our content analysis, we draw on Roos' (1999) framework of change determinants in the relationship switching context. The empirical illustration takes an envisioning (MacInnis, 2011) and questioning (Alvesson and Sandberg, 2011) approach to customer experiences and reveals a novel way of exploring customer experiences. We locate seven customer-originated factors and categorize them into long-term and short-term change.

To this end, the study is positioned in a customer dominant logic (CDL, see Heinonen et al., 2010), which originates from the Nordic School of thought and views the customer's logic as the foundation for all marketing and business. Based on this perspective, the firm cannot create experiences for the customer, but rather, they are created by the customer or *emerge* in the customer's context through customer activities and practices. Similarly, as in Heinonen et al. (2010) and Mickelsson (2013), this chapter also views service from the customer's perspective and defines it as the process and outcome elements related to customers' own multiple activities beyond the customer-provider interactions.

The remainder of this chapter is organised as follows: first we provide an overview of the experience phenomenon, and second we review how previous service and customer experience literature has explored customer experience dynamics. We also draw on relationship marketing literature, elaborating on possible change triggering factors and their

characteristics. The next section highlights our exploratory study and categorization of the different factors causing change in customers' experiences. Finally, we present the theoretical and managerial implications of the results.

WHAT IS EXPERIENCE AND CUSTOMER EXPERIENCE?

The marketing literature entails various definitions of the *experience* phenomenon. One of the main reasons for this is that we can interpret the experience both as a noun and a verb. As multiple dictionaries (Collins English Dictionary, 2007; Webster's Dictionary, 2001) show, the English language views 'experience' either as an outcome or as an affective, event-based phenomenon (i.e. emergent). Some languages (such as German) have surpassed this problem by introducing distinct words for these meanings. For example, as Palmer (2010) and Helkkula (2011) posit: "Erfahrung/erfahren refer to knowledge and expertise gained after an event, whereas Erlebnis/erleben refer to a process of undergoing and living through an event" (Palmer, 2010:197). Palmer (2010) continues by noting that, for marketers, these different ontological and epistemological views of the phenomenon raise the question of whether to approach customer experiences from a perceptive and knowledge-accumulating perspective, or a more holistic and phenomenological viewpoint.

This chapter uses the concept of *customer experience* to depict customers' lived experiences with a service and differentiates between perception and lived experience by building on the notion that experience involves an element of sense-making: "Even though both experience and perception refer to a person's subjective understanding of some external object or event, 'experience' contains an element of activity and reflection that is not innate in 'perception'. Thus, 'perception' can be seen as the act of subjectively registering information and forming initial impressions about it, while 'experience' is the process of realizing how these impressions relate to oneself and how one understands and feels about them" (Heinonen et al., 2010:542). With sense-making we thus refer to the individual customer's inner mental processes, through which, drawing from Baillie and Corrie (1996) and Helkkula and Kelleher (2011), we argue that the customer readily construes the world by "moving backwards and forwards between specific events and experiences" (Helkkula and Kelleher, 2011:42). For that reason, the customer's idiosyncratic sense-making of the experience becomes inherent in the experience *per se*. Although this experience is individual, the context and ongoing social interactions also influence it in time (Reckwitz, 2002). Consequently, we also view customer experiences as always grounded in a situational, social and temporal context.

WHAT IS CUSTOMER EXPERIENCE DYNAMICS?

Although human experience is widely accepted as a dynamic phenomenon subject to frequent and constant change (e.g. Pollio, Henley and Thompson, 1997), service and customer experience literature has not explicitly characterised *customer experience dynamics*. One of the reasons for this may be that empirically capturing the dynamics of the multifaceted experience concept is difficult and challenging. Where do we start looking for change in a

phenomenon which is always grounded in a situational, social and temporal context? How do we find what is causing change in such experiences?

If we look specifically at the word “dynamics”, the Oxford Dictionary explains it as “(Of a process or system) characterised by constant change, activity, or progress”. In line with this, Verhoef et al. (2009) and Tynan et al. (2014) note that experience dynamics represent changes in customer experiences over time. Heinonen et al. (2013) and Schembri (2006) also contend that customer experiences are dynamic in nature, co-constructed due to “the dynamic flow of complex cues and shared foci” (Schembri, 2006:288). Moreover, the Oxford Dictionary views the word ‘*dynamics*’ as “The branch of mechanics concerned with the motion of bodies under the action of forces”. Taking a dynamic view on customer experiences makes forces or *factors* causing *change* an important unit of analysis. Drawing from the above characterisations, we define customer experience dynamics as: *the changes in the customer’s experience with service and the different forces and factors causing such changes*.

FACTORS TRIGGERING CHANGE

Research on change-triggering factors remains limited in extant service and customer experience literature. As Walter and Edvardsson (2012:106) note: “little attention has been devoted to the dynamic mechanisms that drive the customer’s service experiences in a particular direction”. Instead, researchers have focused on describing factors or drivers as “mechanisms that evoke customer experiences” *per se* (Walter, Edvardsson and Öström, 2010:238), rather than as factors actually *causing change*. Due to the prevailing provider-dominant logic in marketing research, studies that do acknowledge change also tend to focus on firm-originated factors instead of customer-originated factors.

The next section first discusses the firm-originated factors before moving on to review customer-originated factors of change. In addition to the rather limited research on dynamics within the service and customer experience literature, we also draw from related relationship marketing literature to discuss possible factors causing change.

Firm-originated change-triggering factors

Within the service and customer experience literature, researchers have (e.g. Mascarenhas, Kesavan and Bernacchi, 2006) traditionally emphasised the firm’s ability to create customers’ service experiences through the design and application of tangible and intangible service features. According to this view, the firm elicits desired cognitive and emotional customer reactions by placing out the right kind of experience cues along consumption (Berry et al., 2002; Pullman and Gross, 2004). This view does not emphasise the experience as a dynamic phenomenon. Rather, since the firm controls experience creation (Berry et al., 2002; Zomerdijk and Voss, 2010) the experience becomes confined to pre-defined service encounters and subject to change only due to firm-originated factors such as process

inefficiencies or mismanagement (e.g. Fließ and Kleinaltenkamp, 2004). These factors are driven by an orientation on the service blueprint or offering from a provider perspective.

As Bolton et al. (2014) note, a somewhat alternative perspective acknowledges that customers evaluate their experiences based on the evolving relationship with the service provider. Rather than only comprising snapshots of particular points in time, customer experiences accumulate over time into a customer journey with the service firm (Bolton et al., 2014; Payne et al., 2009). Previous experiences thus affect future experiences with the service. Although many scholars adopt this approach, Heinonen et al. (2010) argue that these studies continue to emphasise the firm's management capabilities during the various touch points, leaving little room for factors outside the firm's context to trigger changes in customer experiences. Instead, focus lies on how the firm's or co-customer's actions influence the experience in one direction or another. For example, Walter and Edvardsson (2012) argue that the *physical environment*, the servicescape where the customer experiences the service, may act as a dynamic driver causing change in the customer's service experience. Likewise, Walls et al. (2011) posit that an ordinary customer experience may become extraordinary through the influence of the *service context* and *human interactions*, such as *service personnel* and *co-customers*. Also Grönroos and Gummerus (2014) note that, for example, the value that the firm has initially promised to the customer may change during the customer-firm interaction process and give rise to a changed customer experience.

The dynamics of customer-firm interactions are also widely discussed in the relationship marketing literature, where a number of studies (e.g. Edvardsson and Strandvik, 2009; Edwardson, 1998; Heinonen et al., 2010; Roos, 1999) have examined different types of factors causing change in the relationship. For example, Heinonen (2011) identified maintainer-, service- and interpersonal factors, such as *physical magazine*, *usability* and *word-of-mouth*, which she then categorized into forces that strengthen, weaken or inhibit relationship development. Likewise, Roos (1999) identified three determinants causing switching behaviour among supermarket customers: 'pushing determinants', 'pulling determinants' and 'swayers'. Examples of pushing determinants were *range of goods*, *price*, *variation* and *location*. These stood for the customer's reason for switching to another supermarket, thus causing permanent (long-term) change to the customer's relationship with the supermarket. The pulling determinant, on the other hand, caused temporary (short-term) change. *Location*, *range of goods* and *variation* were the most frequently expressed reasons why customers switched from and back to their original supermarket. Roos (1999) also identified swayers, such as *personnel*, *atmosphere*, *location* and *range of goods*. These do not cause change independently, but may prolong or reinforce the customer's switching decision.

Moreover, Edwardson (1998) and Edvardsson and Strandvik (2009) have studied critical incidents' impact on the customer-firm relationship. As Edvardsson and Strandvik (2009:332) note, such incidents may include "quality problems in the services delivered, reorganization or strategic changes (including either buyer or the seller or both), a new supplier offering a new and "better" service and ownership change but also factors that gradually develop over time such as lack of interest on the behalf of the service provider, communication problems and stress due to expectations not being fulfilled." Edvardsson et al.

(2014) spin further on this, conceptualizing critical negative waves of relationship turbulence, which categorize the change into both “long and wind-blown or short and sudden, but all deviating far from stability and equilibrium travelling through space and time” (Edvardsson et al., 2014:285).

What all of the above presented studies have in common is their emphasis on firm-originated factors, that is, factors that take place within the firm’s context due to the firm’s actions or the interactions between the customer and the firm. Thus, we still know little about the sources of dynamics originated from the customer.

Customer-originated change-triggering factors

Researchers from the Nordic School (e.g. Heinonen et al., 2010; Helkkula and Kelleher, 2010; Strandvik and Heinonen, 2013) tend to approach customer experiences as formed in the customer’s context. According to this view, which draws from CDL, the firm does not create experiences, but instead, experiences emerge or are formed over time through the customer’s own activities and processes (Heinonen et al., 2010). This also means the customer will experience the service beyond the firm’s actions and customer-firm interactions (Heinonen et al., 2010; Heinonen et al., 2013; Verhoef et al., 2009). For example, a customer having dinner at a restaurant will always have an experience with the service, regardless of how the employees behave or how the service environment is designed. Much of the customer’s experience will also take place outside the actual service encounter in that particular restaurant, perhaps before, as when planning the visit with friends, or even years later, when reminiscing about the type of food served. Likewise, Medberg and Heinonen (2014) argue there are multiple factors outside the firm’s domain that affect customers’ experiences of value. Also, Verhoef et al. (2009) note that elements outside the firm’s control, for example, *influence of others* or the *purpose of shopping*, contribute to the total customer experience.

We should therefore also acknowledge that multiple customer-originated factors may cause change in customers’ experiences. For example, thanks to technological advancements, customers themselves frequently decide *how often*, *when* and *where* they want to experience the service. These factors are originated from the customer and thus, fall outside the firm’s control. If the customer chooses to visit the restaurant very often, it is possible that the experience may change from a very spectacular dining experience to a more ordinary everyday type of phenomenon. Moreover, factors in the customer’s surrounding context, such as family and friends, even complete strangers, may also trigger changes in the customer experience. What if the customer’s friends and family show very little interest in going to the restaurant? It is likely the customer will experience the service less frequently and also view the experience as less positive because no one wants to share it.

Although these customer-originated factors play an important role in the formation and evolution of the total customer experience (Medberg and Heinonen, 2014), virtually no research aims to explore them more in-depth. As previously noted, this knowledge gap largely persists due to the prevailing provider-dominant logic in marketing research and

practice. This study takes a step toward addressing this gap by exploring the sources of dynamics beyond the line of visibility of service encounters. CDL as a basis of experience dynamics provides a more holistic understanding of what changes customers' experiences.

A CHARACTERISATION AND CATEGORIZATION OF CHANGE-TRIGGERING FACTORS

Drawing from the literature presented above, we argue that changes in the customer's experience may take place due to **1)** firm-originated and **2)** customer-originated factors (See table 1). All of these factors are grounded in a situational, social and temporal context.

The firm-originated factors either take place due to firm actions or the interactions between the firm and the customer, or co-customers. Such factors could, for example, include the core service offering, supportive services and the servicescape (see e.g. Verhoef et al., 2009; Walter and Edvardsson, 2012). These factors thus originate from the firm and the firm's context.

The customer-originated factors either take place due to the customer, or other surrounding factors in the customer's context. Such factors could, for example, include frequency of service use and family or friends. These factors originate from the customer or the customer's context, which goes beyond the service offering and customer-firm interactions. In the following empirical study, the focus lies on identifying different types of such customer-originated factors.

Table 1. Change-triggering factors

Change-triggering factors	Characterisation	Example
Firm-originated factors	Factors that originate from the firm and/or the firm's context	The core service offering, additional supportive services, the servicescape
Customer-originated factors	Factors that originate from the customer and/or the customer's context	Family and friends, frequency of use

Similarly, as in the relationship literature (e.g. Edvardsson et al., 2014; Roos, 1999) we also posit that different types of factors influence customers' experiences in many ways. Although Roos (1999) mostly discussed firm-originated factors, we argue that her framework is presented on a high abstraction level and may also be applicable to factors in the customer's context. However, on a more detailed level of analysis, this framework needs to be applied to a specific context.

Based on the literature analysis, and inspired by Roos' framework for relationship dynamics, we characterise two main categories of customer-originated, change-triggering factors in a customer experience context: **1)** factors causing long-term change and **2)** factors causing short-term change. The first category of factors corresponds to the factors named pushing

determinants in Roos' (1999) study and affects the customer's experience by clearly initiating *long-term change*. Due to such factors, the change in the customer's service experience could be characterised as rather permanent or stable in nature (be it from the extraordinary to the ordinary, from the positive to the negative and so on). The second category of factors corresponds to the factors named pulling determinants in Roos' (1999) study and clearly initiate *short-term changes* in the customer's experience (be it from the extraordinary to the ordinary, from the positive to the negative and so on). These changes are more temporary and unstable in nature than the long-term changes.

METHODOLOGY

We conducted an explorative, qualitative study in a sports-tracking mobile service context to explore customer-originated, change-triggering factors. The next section presents the data collection and analysis procedures.

The chosen context for the study is a sports-tracking mobile service (from now onwards we name this a sports tracker). This sports tracker, packaged as a mobile application or as a sports watch, helps customers track their running over time. Here, we view running as a part of the customer's experience with the sports tracker, where both running and the sports-tracking form a full holistic experience with the service. There are two main reasons for choosing this particular context. First, the sports tracker enables customers to use the service in their own setting and on their own terms, making it easier to locate customer-originated, change-triggering factors. Second, the sports tracker records and saves data (e.g. length, time, pulse) related to each run, which enables the customer to reflect over her results and experience with the sports tracker over time.

Data consists of 18 interviews altogether, conducted among customers using a sports tracker regularly during their runs (See table 2). By utilizing a personal interview approach, we gained rich and in-depth understanding of the studied phenomenon (Deshpande, 1983; Grace, Weaven and Ross, 2010; Szmigin and Foxall, 2000). The participants were selected based on the following criteria: participants had to have run with their choice of sports tracker for a minimum period of one month to ensure familiarity with the service and the ability to express how they had experienced it. The type of sports tracker could either be a mobile application (e.g. Sports Tracker, Nike+ or Run Keeper) or a sports watch (e.g. Polar or Garmin). Participants consisted of 7 females and 11 males, with ages ranging from 20 to 38. The interview guide (see appendix) consisted of a set of semi-structured questions, covering the themes of running, sports-tracking and positive and negative memories of specific events related to these themes. All interviews were transcribed verbatim and saved to separate Word documents.

Table 2. Summary of the data collection and analysis process

Data Source	18 customer interviews
Type of service	Sports-tracking mobile service (e.g. Sports Tracker, Nike+ , Run Keeper or Polar and Garmin Watch)
Study conducted in	2013 (September, October, November and December)
Participant selection criteria	The participant had run with the sports tracker for a minimum of 1 month prior to the interview The participant exercised on a regular basis
Data collection	Sample Questions: 1. Describe a normal run 2. Describe the perfect run 3. Describe the worst possible run 1. Describe your sports tracker 2. How, when, where and why do you run with it? 3. Describe a positive memory of the sports tracker 4. Describe a negative memory of the sports tracker
Interview length	30 – 50 minutes/each

In the coding and analysis of the gathered data, we followed the guidelines provided by Spiggle (1994) and Strauss and Corbin (1990), including the stages of categorization, abstraction, comparison, dimensionalisation, integration, iteration and refutation. We began the analysis procedure with a categorization of the data by separately reading all the Word documents twice. This way, we gained a more in-depth understanding of the informants and their narratives (Hirschman, 1992). During the second reading, we concurrently looked for and noted emerging themes in each transcription. This thematic analysis is consistent with the thematic-variable approach to qualitative data (Braun and Clarke, 2006; Miles and Huberman, 1994). We divided the transcribed interviews into data units and coded each unit according to the emerging themes. The emerging themes were then assembled under our predetermined change-triggering factors of long-term and short-term change. Finally, we compared these different factors in terms of similarities and differences. Such iteration between theoretical and qualitative data with the goal to establish refined codes is grounded in abductive logic (Patton, 2002).

FINDINGS

Factors initiating **long-term change** within the context of sports-tracking include *frequency of running*, *running progress* and *co-runners and friends*. Whereas the two first factors take place due to the customer, the last category can be found in the customer's surrounding context.

When customers started running with a sports tracker, many viewed the experience as quite extraordinary in nature. As one male (27 yrs) noted, the experience of tracking runs was so extraordinary that this, in itself, motivated him to go out for more runs. However, after *frequent running* over time, the customers' experiences were 'permanently' transformed into the opposite; running with the sports tracker was now experienced as quite ordinary in nature, as part of the daily routine and life. Nonetheless, many of the customers reported that,

despite this change from the extraordinary to the ordinary, the sports tracker now played an even more important role in their lives (as compared to when they started running with it). As several customers noted, it felt like an old friend they could not live without.

Likewise, the *running progress* of the customer could also initiate long-term changes in the experience. For example, several customers reported that by seeing their progress over a certain period of time through the sport tracker's running log, the experience became much more positive for them as compared to what it was when they started running with it.

Finally, *co-runners and friends* could also cause this type of long-term change in the customer experience. For example, after realizing that many of their friends were not using the same type of sports tracker, some customers said their overall running experience also changed permanently. They regarded the experiences as less positive and rewarding because they could not compare their results on online platforms or similar interfaces. Several customers also quit running with the sports tracker altogether due to this change in the experience.

See Table 3 for sample quotes further demonstrating factors initiating long-term change.

Table 3. Long-term change-triggering factors

Factor initiating long-term change	Description	Illustrative Quotes
Frequency of running	The frequency of running with the sports tracker over time, e.g. once a week/month/year	<i>"In the beginning, I went out for a run just because it was so extraordinary, now it has become more like a well-known friend". (male 27 yrs)</i> <i>"Over time, it has become more like an ordinary tool, like your jogging shoes. It is now part of the whole running experience". (male 26 yrs)</i>
Running progress	The customer's accumulated running progress over time	<i>"We actually ran the same route 10 to 15 times under a time period of 6 weeks...the first time I ran with the sports tracker, it showed 6 minutes and 15 seconds per kilometre. And the last time we ran the route, or the fastest lap, I think it was between 5 and 18 or so. That is over one minute of progress per kilometre, and that is very good, and it feels like, well, I was super happy when I had progressed that much, and felt that I could have potential to become a really good runner. And there, the sports tracker also plays an important role, because it measured all this to me, and I can, well it also saves all my runs, so I can easily scroll back and check and compare my times". (male, 27 yrs)</i>
Co-runners and friends	The customer's social connections	<i>"The reason that I stopped carrying it so much is because; well none of my friends really use it, if there were lots of people using it we could all compare times". (male, 25 yrs)</i>

Factors initiating *short-term change* include *individual running performance*, *mood*, *unexpected events* and *running location*. Whereas the three first factors take place due to the customer, the last factor is found in the customer's surrounding context.

In terms of the *individual running performance*, many customers reported negative experiences with the sports tracker when having performed a less satisfactory run. However, this change was only temporary in nature, as subsequent successful runs resulted in new positive experiences of running with the sports tracker. Moreover, the customer's *mood* seemed to initiate a lot of short-term changes in the customer's experience. As one customer explained, the experience was much more positive when she was in a good mood, whereas the experience would be more negative when she had been feeling sad during the day.

Unexpected events, such as losing the sports tracker or simply forgetting to push the start button also seemed to cause short-term change in the experience; mainly, irritation and a feeling that this affected that one particular running experience in a negative manner. Due to this, some customers even stopped running after having realized that the sports tracker was not recording their runs. Finally, the *running location* could also temporarily trigger changes in the customer experience. Many customers described their experience as momentarily more pleasant when running in scenic environments, such as the mountains or along a beach, whereas when running with the sports tracker at home again, the customers said that the experience changed "back to the normal".

Table 4 summarizes the factors initiating short-term change with examples of quotes from the customers.

Table 4. Short-term change-triggering factors

Factor initiating short-term change	Description	Illustrative Quotes
Individual running performance	The customer's own level of running performance during one particular run.	"You asked me if I am able to have a negative experience with the sports Tracker, and yes, I am. If I look back after a run and I ran on a very bad time, well then I blame myself, not the app. Then you get a negative experience from looking at the statistics, as you see that you have been more like a potato sack than a Kenyan during the run". (male, 26 yrs)
Mood	The customer's personal and internal emotional state.	"A more negative experience with the sports tracker would occur during a day that I've felt a bit down and without any energy. Then it would have felt really hard and I would not have had this super happy feeling after coming home from the run". (female, 26 yrs)
Running location	The physical space in which the customer runs with the sports tracker.	"I have to run in the Alps or some similar place for it (the sports tracker) to feel extraordinary...because then I will connect the sports tracker to my computer so that I can see where I have been running". (male, 27 yrs)
Unexpected events	Unexpected events	"Well, sometimes I have forgotten to push the start button,

that have an impact
on the experience.

*I have had everything else, but forgotten to push on start.
So then it has been a bit sad, since I have run in the belief
that I will see all the statistics in the end of the run.”
(female 24 yrs)*

DISCUSSION AND IMPLICATIONS

This chapter described customer-originated factors that trigger changes in the customer experience. The study, thus, goes beyond extant service and customer experience research (e.g. Berry et al., 2002; Mascarenhas et al., 2006), which, so far has largely focused on customer experience in the firm domain. As the study applies a CDL approach (Heinonen et al., 2010), viewing experiences as emergent or formed in the customer's context, it is essential to also acknowledge customer-originated factors when studying change in the customer experience.

Based on the collected data among customers running with a sports tracker, we located seven different customer-originated factors. These include: *frequency of running, running progress, co-runners and friends, individual running performance, mood, unexpected events and running location*. As the findings show, some of these factors originate directly from the customer, such as frequency of running or running progress. Other factors are more contextual in nature and reside in the customer's context, as with the case of co-runners and friends or the running location *per se*. Both types of customer-originated factors are important to understand when examining customer experiences beyond the firm's actions.

The characteristics of the customer-originated factors varied causing long-term and short-term change. Here, the long-term change seemed to be quite stable in nature, whereas the short-term change was more unstable. We posit that it is equally important to recognise both of these change categories. Similarly, as Roos (1999:79) notes: “these determinants should be considered only in their context, as elements in a switching path and not in a particular order of priority”, we also argue that the identified factors are idiosyncratic. A long-term factor for one customer may thus equal a short-term factor for another customer. A long-term factor may also become short-term over time. Therefore, ‘long-term’ does not refer to something infinite or completely permanent (since nothing is really permanent in the world we live in), but rather indicates that a more profound and stable change has taken place in the customer experience when compared to the effect of short-term factors.

Theoretical implications

This chapter makes several theoretical contributions to service and customer experience literature. Because the theoretical and practical focus has traditionally been on firm processes and interactions, thereby emphasising changes in the firm's context or customer-firm interactions (e.g. Walter and Edvardsson, 2012), customer-originated factors were previously invisible for companies. Nonetheless, as the empirical study shows, these ‘invisible’ factors are capable of causing both long-term and short-term changes in the experience. This also

means the firm can only partially influence how customers experience a service and how their experiences change. For example, the firm may design and manipulate the servicescape, but how often and when the customer chooses to integrate the service into his or her life is always dependent on the customer. Consequently, both researchers and practitioners need to develop a thorough understanding of the customer's logic and lived realities to locate such factors outside the firm's control.

Another theoretical contribution is that both change categories (long-term and short-term) highlight the importance of approaching customer experiences from a broader time perspective. As the findings show, changes vary in their degree of stability as they occur during shorter and longer periods of time. To properly examine change over time, it is important that researchers and practitioners not only focus on experiences during the actual service encounter, but also consider the history, present and future of customer experiences with the service (Heinonen et al., 2010). Only then will we gain a more in-depth understanding of the scope and character of change.

Overall, this focus on change-triggering factors and different categories of change also contributes to our understanding of customer experience. Similarly, as other authors (e.g. Heinonen et al., 2013; Tynan, McKechnie and Hartley, 2014), this chapter has put forward the idea that we should approach customer experiences as dynamic in nature. In addition to examining the character and scope of customer experiences *per se* (e.g. Helkkula and Kelleher, 2010; Holbrook and Hirschman, 1982; Verhoef et al., 2009), it is essential to study how, when and why experiences change and evolve in time. Such studies will also contribute with a more holistic understanding of what constitutes an experience.

This chapter presented an exploratory study and provided a first glimpse of experience dynamics beyond the service firm's control. We identified possible change-triggering factors in one particular setting, that is, customers' experiences with sports trackers. We encourage future research to systematically identify factors in different empirical contexts and evaluate the findings' transferability to other contexts. Likewise, we encourage researchers to investigate and increase the understanding of different types of change-triggering factors. For instance, researchers could further elaborate on the differences between firm- and customer-originated factors, or categorize these factors based on other useful criteria such as frequency and scope. Moreover, we located the short- and long-term factors based on customers' recollections of their experiences with the sports trackers. It could very well be that over time, the located short-term factors would have turned into long-term factors or vice versa. We encourage researchers to conduct longitudinal studies that span over a longer time period to achieve a more detailed understanding of the dynamic nature of customer experiences. For example, diaries could provide interesting insights into changes that take place in the customer experience over time.

Managerial implications

In terms of managerial implications, this chapter implies that firms need to recognise it is not only a matter of understanding how customers experience their offerings at a specific point in time. Rather, by focusing on experience dynamics, firms become aware of factors changing customers' experiences and ultimately, how an experience emerges. The emphasis on customer-originated factors shows that firms need to acknowledge that even though no visible changes have occurred, for example in their own or their competitors' activities and offerings, customers' experiences may change. Based on the presented conceptual framework and empirical illustration, we suggest the following implications for service managers:

- **Visibility:** Companies cannot see all changes that occur in customers' experiences because some changes take place in the customers' context. Companies need to establish a relationship with their customers and develop systems for maintaining contact with and getting feedback from customers.
- **Control:** Change may also occur without the influence or involvement of the firm. Therefore, firms are not able to control all changes in customer experiences. Aligning communication according to customer insight is one strategy for adapting to change.
- **Longitudinal:** Experiences may change over a longer period of time, and this change is not necessarily dramatic or critical in nature. Firms need to develop customer insight practices that show this temporal aspect of change and its impact on firm revenues.
- **Different categories of change:** Different types of factors trigger various types of changes. Moreover, some customers may be inclined to experience change more often than others. Managers could develop customer profiles based on how change-resistant they are in order to better manage change.
- **Positive/negative experiences:** Experiences may change in a positive or negative direction, and this direction is idiosyncratic. Managers need to be aware of possible factors causing change, and locate which factors are the most important ones, both for the customer and the firm. In doing so, managers may more easily succeed in preventing negative change.
- **Extraordinary/ordinary experiences:** Extraordinary experiences may become ordinary and ordinary experiences may become extraordinary. Consequently, a so-called (Arnould and Price, 1993) "extraordinary service" context, such as a theme park or ultra-fine dining, does not guarantee extraordinary customer experiences with the service. Firms need to be aware of this when evaluating their service outcomes.

Change is inevitable and far from always controllable by the firm. However, firms may try to influence the direction and effect of the change in a favourable manner. Managers can, for example, aim to facilitate positive or prevent negative long-term change. As in the case of sports-tracking, the firm could aim to attract as many of the customer's friends and family to use the same type of sports tracker to prevent negative change (the customer experiencing the service as less rewarding because they could not compare their results). In terms of factors triggering short-term change, the firm can either try to reduce or increase the change. For

example, to facilitate more positive change, the firm may provide pre-defined routes to inspire the customer to run in more scenic environments or develop features that challenge the customer to exceed previous running performances.

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Appendix 1. Interview guide

The runner profile

- Name
- Age
- Sex
- Nationality
- Running/exercise experience (for how long)
- Main motivation to run

The Running Experience

- Describe a normal run
- Describe a perfect run
- Describe the worst possible run
- What kind of running experience do you desire?

Running with the sports-tracking mobile service

- Tell me about your choice of sports tracker
- Why do you use the sports tracker? When and how often do you use it? Where do you use it? Have you had any problems with it?
- Can you describe your first experience with the sports tracker? (e.g. how did it feel, what did you think etc.)
- Can you describe your experience with the sports tracker today? (e.g. how do you feel, what do you think etc.) Has the experience changed somehow?
- Do you use the sports tracker together with someone? Online or offline?
- Do you remember the last time you used it?
- How does it feel to have constant access to it?
- Tell me about a memorable experience with the sports tracker
- Tell me about a positive experience with the sports tracker
- Tell me about a negative experience with the sports tracker

THE RIPPLE EFFECT: INTENDED AND UNINTENDED APP EXPERIENCES

Apramey Dube, Anu Helkkula and Tore Strandvik

*This chapter conceptually examines customer experiences with smartphone apps and presents **the Ripple Effect** as a metaphor for the multiple experiences that customers have with apps. We suggest that customers have a number of experiences, which can be either intended or unintended by the app developers. Intended experiences refer to those app experiences that are in line with what the app developers expected the customers to have. The unintended experiences are in turn such experiences that the app developers did not expect the customers to have and that are often hidden to them. Therefore, as a metaphor, the Ripple Effect represents the intended and unintended experiences as ripples originating as customer experiences from individual service offerings: in this case, the smartphone app. Customers evaluate service offerings based on both intended and unintended experiences. The unintended experiences may be hidden to service providers and represent a rich source of innovation ideas.*

CUSTOMER EXPERIENCES WITH SMARTPHONE APPS

Both researchers and practitioners have paid attention to differences in how service providers intend the customers to use services, and how the customers actually use them (Grönroos and Gummerus, 2014; Heinonen, Strandvik and Voima, 2013; Grönroos and Voima, 2013). Currently, service providers are more and more interested in customers' experiences. However, to date, little is known about the differences between intended experiences (as intended by the service provider) and how customers actually experience service. In this chapter, we focus on both the intended and the actual customer experiences of smartphone apps.

Apps are downloadable software programs (Racherla, Furner and Babb, 2012), which provide specific service to the customers. They have emerged as one of the most popular service offerings in recent times. More than one million apps are offered by the two major app marketplaces: Apple's App store and Android's Google Play markets. Apps are developed by firms, as well as individual enthusiasts, who wish to float their business idea through apps as they are a relatively simple and easy-to-use marketing channel. App developers get ideas for their apps from their own everyday lives, feedback from friends and family, as well as from specific requests by companies. Many companies seek to develop apps as an extended platform, in addition to physical and website channels, to offer their services. Examples of such apps are banking apps (e.g. Citibank), airline apps (e.g. Lufthansa, KLM), and retail chain apps (e.g. H&M). Furthermore, a large number of apps have been developed by individual enthusiasts to address a specific challenge or to provide a niche benefit to the user. For example, the Runkeeper app measures the customers' running statistics, such as the number of kilometers run and time taken, and assists in posting these results on social

networking sites. Another example is the “Sing!” App: it provides the user with the opportunity to sing karaoke with a randomly paired singing partner around the world.

One of the key reasons for the emerging popularity of apps is the ease of use and close user contact. Apps are stored in the customers’ smartphones and are thus available to a user irrespective of the time and place (Dube, 2014). Thus, apps are not temporally and spatially constrained, like most other services, and they are accessible to customers any time and from anywhere in their everyday lives. Therefore, we have chosen smartphone apps as the context of this chapter to illustrate the intended and actual customer experiences.

The purpose of this study is to discuss and compare conceptually how service providers intend customers to experience apps and how customers actually experience them. We provide examples of app experiences, where there is a clear difference between the intended and the actual experiences; subsequently, we highlight the role of unintended experiences.

INTENDED AND UNINTENDED EXPERIENCES

Apps are developed by companies for a number of reasons, such as to reduce costs or to increase revenues from an additional channel. App developers, like any service provider, design apps as solutions to satisfy what they would consider one or several customer needs that can be met with the service (Bellman et al., 2011; Racherla et al., 2012). Ideas for app development can come from several sources; they may stem from personal reflections on needs and wants, from peer feedback or from observations of customer practices, or from existing offerings in the market (von Hippel, 1988, 2001; von Koskull, 2009). In most cases, app developers have a vision of how the app will be experienced by customers. These expected or *intended experiences* by app developers are described as app use descriptions in app market places and home websites. For example, the website of travel service provider Skyscanner describes the different experiences customers can have with the Skyscanner app, which include checking flight prices, hotel accommodations, and car rental service (Skyscanner, 2014). Customers can read about the potential experience that they could derive from a particular app before downloading it. The descriptions of the intended experiences generally focus on positive aspects and highlight the potential benefits for the customer, since they aim to convince the customers to download the app.

When customers experience apps, they derive their experiences from their own personal contexts. Customer-Dominant Logic (CDL) put forth by Heinonen et al. (2010) argues for contextually grounded customer experiences where customers experience service offerings in different ways depending upon their personal contexts. In the case of mobile services, Gummerus and Pihlström (2011) propose service use experiences to be contextually grounded in customers’ contexts. Apart from the intended experiences, customers can also have completely new and unexpected experiences from apps, which have not been conceived by app developers. We refer to these unexpected (from the service providers’ point of view) customer experiences as *unintended experiences*.

Let us illustrate the phenomenon of intended and unintended experiences from an example of app experience. WhatsApp is a popular messaging service app, which is intended to be experienced as a personal messenger for contacting friends. Providing messaging services for a small annual fee, the app has emerged as a replacement for traditional messaging service provided by telecom operators. In addition to the intended personal messaging experience, WhatsApp is also experienced as an innovative communication medium for marketing and political campaigns. To the surprise of WhatsApp developers, the app was recently used as a life saver. A surgical operation was conducted in India using WhatsApp, where a severed hand was salvaged. The surgery was performed by a doctor who needed help and expert advice from his mentor for conducting emergency surgery, and he used the WhatsApp for instant communication with the mentor (Parmar, 2013). In this case, WhatsApp was experienced as a medical emergency life saver, a role which the developers might not have envisaged for the app. Thus, in addition to app experiences, which are intended by app developers, app users also create app experiences, which are unintended by developers but derived by users from their everyday life contexts.

Service providers also notice that when customers experience services (in this context, apps), they do not experience all the built-in features or potential uses of apps. Thus, apart from actual experiences (portion of intended experiences realized by customers), there is a component of the intended experiences that may not actually be experienced by the customers. These are the intended experiences by the service provider, which are *not experienced* by the customers. Such potential experiences are facilitated by the app, but the customer never experiences them. This can happen if the customers do not understand how to use a feature or *do not need* to experience certain features. As an example, the British Broadcasting Corporation (BBC) World News app provides a number of services to its customers. These services entail watching news videos, listening to the news in audio format in various languages, taking quizzes and playing general knowledge games, and providing the ability to send photos and videos of events to the BBC, which customers perceive to be newsworthy. It is to be noted here that customers may not use all these features (for example, sending newsworthy photos and videos might not be used often), and customers may experience the app through only some of its available features.

Based on this conceptual comparison, we argue that both service providers and customers have a partial view of app experiences. Service providers focus on the intended app experiences and are mostly unaware of the unintended app experiences. The customers in turn may experience only a portion of the intended experiences and thus may even be unaware of some app experiences that were intended by the service provider. Figure 1 illustrates comparisons between intended and actual customer experiences:

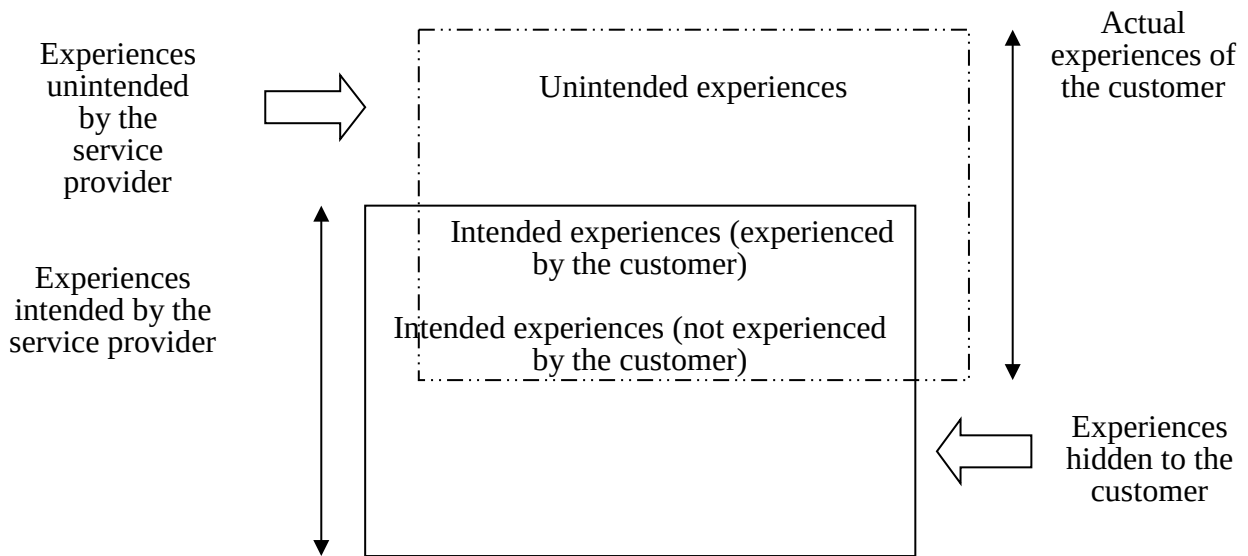


Figure 1. Comparisons between the intended and the actual customer experiences

THE RIPPLE EFFECT

When customers experience smartphone apps, they derive not one but many experiences from individual apps. We understand customer experiences to be subjective, unique, and influenced by individual customer contexts and events (Helkkula, Kelleher and Pihlström, 2012; Schembri, 2006). Consequently, multiple customer experiences are shaped by different events and the evolving contexts of individual customers.

Therefore, we suggest that an app acts as a trigger for customers to experience a number of experiences, and such triggering is akin to hitting the calm surface of a lake with a single stone. When the stone touches the water's surface, it creates multiple ripples or waves, which expand outwards from the point where the stone hit the water. Using this analogy, we conceptualize the phenomenon of multiple experiences with a single service as *the Ripple Effect*.

The Ripple Effect is a metaphor that refers to the multiple experiences customers may derive from an individual app. The ripples or waves generated in the Ripple Effect refer to multiple experiences, some of which are intended or expected by the app developers. Many of these experiences may be unintended by the app developers, but customers experience them in their own unique ways. Different customers may have different unintended experiences, which are characterized as different ripples. The further a ripple is from the core (where the stone hits the water), the more unintended the experience is from the service providers' point of view. This concept is illustrated by the customer experience of a smartphone app, Talking Tom. This app features a virtual pet cat, which the customer has to take care of as if it were a real pet. The intended experience of Talking Tom is to provide a virtual pet experience, which the customer derives by feeding, bathing, and playing with the virtual cat. An unintended

experience of this app could be that the customer who is taking care of Tom might devote too much time to the app, thus neglecting his/her relationship partner. This causes the partner to become jealous and creates tension between the two partners in the relationship. Thus, an unintended customer experience of Talking Tom, which is in this case a negative experience, entails creating a rift between couples.

Figure 2 illustrates the Ripple Effect:

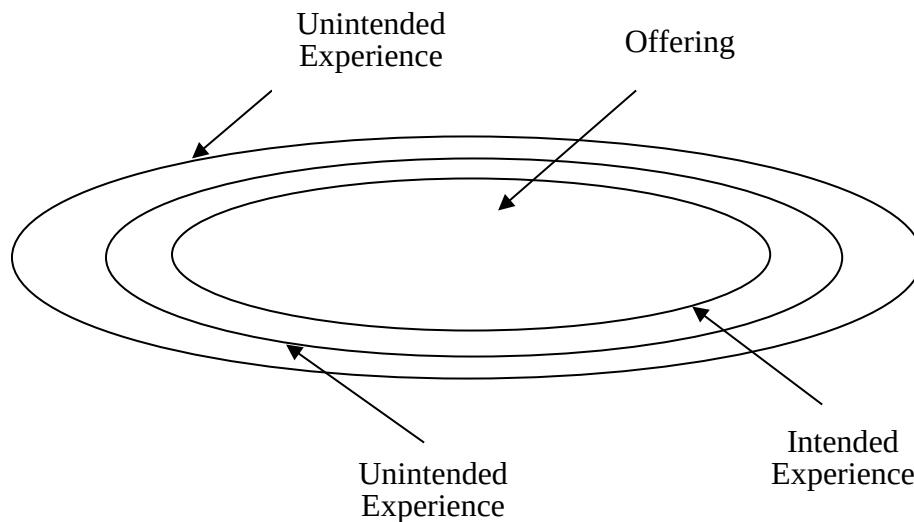


Figure 2. The Ripple Effect

From the app developers' perspective, the unintended experiences from different customers represent multiple ripples, moving further away from the core or intended experience of the app. Thus, from the perspective of the service provider, the Ripple Effect should be seen in relationship to the experiences that consider all/many users rather than individual ones. In this case, there might be a number of unintended experiences when aggregating customers. On the other hand, for individual customers, the ripples reflect innovative and multiple experiences that a particular customer derives from a specific app. A photo-taking app can be experienced as a simple photo taker (intended experience), or it can be experienced as an innovative mirror, where it replaces a pocket mirror in checking one's personal makeup (unintended experience). In this interpretation, we are interested in how profoundly the app changes the customer's life. In a similar vein, an elderly father might feel that his experience in apps plays a role in strengthening the father-daughter relationship he has with his daughter. His daughter may ask him for recommendations for new apps that she can experience. If the father invests a substantial portion of his time in researching apps and passing on the information to his daughter, he may feel that apps have become a channel through which his daughter makes him feel useful or included in her life.

The unintended experiences aggregate over different customers, and they are spread out in individual customers' lives as well. From a provider's point of view, the aggregate unintended experiences from a number of customers are more insightful in providing ideas for innovation. Customers create a rich pool of experiences, which may be unintended by the

service provider. However, from the customer's perspective, they may be very valuable in their individual contexts. Furthermore, unintended customer experiences can be triggered by unusual events or situations, such as an accident, as in the case of the surgery conducted with the help of WhatsApp that was discussed at the beginning of this chapter. In conclusion, we suggest that the customers' overall holistic experience includes both intended and unintended experiences and customers share both types of experiences among peers, on social media, and other avenues.

CONTRIBUTIONS AND IMPLICATIONS FOR BUSINESS AND RESEARCH

Customers create value for themselves from experiences that take place in their everyday life contexts. This book chapter argues that apps can act as a trigger for multiple customer experiences, which may be intended or unintended by the app developers.

The phenomenon of the Ripple Effect (which has both intended and unintended experiences) has four key implications for businesses and researchers:

Customer experiences (including both intended and unintended experiences) form the basis for customer evaluations

Customers evaluate offerings based on their experiences, which may consist of both types of experiences: intended and unintended. Frequently, customer evaluations are more significant for service providers when unintended experiences are present because companies do not have access to such experiences; they are often hidden from the service provider. Furthermore, companies base their assessment of customer evaluations only on intended experiences, which present an incomplete picture of the reasons behind product/service success or failure.

Discovering unintended experiences

Unintended experiences occur in customers' everyday lives and are often unknown to the service providers. In particular, service providers can benefit from discovering positive unintended experiences of customers for improving their services. Such experiences can be explored by observing everyday customer experiences, which include both intended and unintended components. Service providers can conduct focus group interviews and/or request customers to report their experiences in the form of diary narratives, where customers record their everyday experiences with the services. Also, customers share both intended and unintended experiences on social networking sites, which may have an influence on both existing and potential customers. Unintended experiences, in particular, can be accessed by companies by using social media to collect customer-to-customer communication.

Unintended experiences provide ideas for innovations

Unintended experiences include unique and innovative methods in which customers experience offerings. Frequently, unintended experiences reveal the hidden or tacit needs and wants of customers, which are not explicit to companies. Thus, managers can potentially

develop ideas for improving their products or services by accessing the unintended experiences of customers. As unintended experiences are unique, individual customers can provide unique innovation ideas, which can then be replicated for a larger number of customers.

Experiences intended by the service providers but not experienced by the customers highlight customers' value contexts

Some intended experiences by the service providers are never even experienced by the customers in reality. These cases occur either because the customers do not have sufficient knowledge of all the potential experiences that they can derive from particular services or they do not feel the need to enjoy such experiences. Thus, the not-experienced intended experiences illustrate the mismatch between the service provider and the customers' understandings of customer value. Service providers should analyze the reasons why a customer may not take advantage of certain potential experiences. Subsequently, efforts should be made to make such potential experiences more attractive for customers so that they can experience them in reality and then evaluate these services favorably for the service providers.

To conclude, customers have multiple app experiences, which we have labeled as the Ripple Effect of experiences in this chapter. Service providers and customers have different understandings of customer experiences. In addition to the experiences intended by the service providers, the customers also have unintended experiences. Additionally, a portion of the intended experiences by service providers are not even experienced by the customers in reality. Both unintended and not-experienced intended experiences have implications for service providers in the form of customer evaluations and obtaining ideas for innovations.

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VALUE CREATION AND CUSTOMER EFFORT – THE IMPACT OF CUSTOMER VALUE CONCEPTS

Michael Kleinaltenkamp

Over the last years an array of concepts has been developed addressing the questions how value is created for customers, which components this value comprises, and what the characteristics of value are. These approaches mostly see value creation from a supplier's perspective, even if the value is created for the customer. In contrast thereto, recent research foremost within the Nordic School has turned towards a more customer focused view of value creation processes. Here, the customers and their activities as well as further actors and the context in which value is created are considered to be the focal point. Along with the development of this school of thought questions arise what customers motivates to participate in joint value creation processes, to what extent they are aware of their contributing role and which consequences result from this with regard to their behavior, or how they assess their own contribution for the value creation. This paper analyses on a conceptual basis how different customer focused value concepts, i.e. value-in-exchange, value-in-use and relationship value, are interlinked in this sense and what impact they have on customer inputs and efforts within value creation.

INTRODUCTION

In the discipline of marketing an array of concepts has been developed addressing the questions how value is created for customers, which components this value comprises, and what the characteristics of value are (e.g. Holbrook, 1999; Smith and Colgate, 2007; Woodruff, 1997; Anderson and Narus, 2004). These approaches have in common that they principally regard the phenomenon of value creation from a supplier's perspective, even if the value is created for the customer. In contrast thereto, recent research in marketing has turned towards a more customer focused view of value creation processes. Here, the customers and their activities as well as the context in which value is created are considered to be the focal point. Hence, this research does not only emphasize that customers play an active role in value creation. Moreover, it also stresses that value is only created by the use of products and services by linking processes of different actors on the supply and the demand side as well as of third parties (Vargo and Lusch, 2008; 2014; Payne, Storbacka and Frow, 2008; Grönroos and Voima, 2013). These approaches have in common that they understand value creation activities as processes extending beyond the boundaries of firms – in particular on the supply side – and in which private (e.g. individuals, groups of people), market-facing (e.g. firms, customers) or public-facing actors (e.g. governmental entities, nonprofit organizations) take part (Vargo, Maglio and Akaka, 2008; Vargo and Lusch, 2014). Value is thus realized “from integration of resources through activities and interactions with collaborators in the customer's service network” (McColl-Kennedy et al., 2012). Resources and processes of resource integration thus constitute the central elements of value creation. Following this point of view it becomes evident that value for the customers is only created in such

processes of resource integration (Kleinaltenkamp et al, 2012). Accordingly, in the course of this discussion the concept of value-in-use has tremendously gained in importance compared to the concept of value-in-exchange (Vargo and Lusch, 2004; Ranjan and Read, 2014). The differentiation between value-in-exchange and value-in-use of goods was already introduced into economic literature by Menger (1871) a long time ago. Nonetheless, in the field of marketing as well as in other fields of business and economics, considerably higher attention has hitherto been given to value-of-exchange than to value-in-use. Therefore, different definitions and conceptualizations of the term have only recently been developed (Payne, Storbacka and Frow, 2008; Macdonald et al., 2011). They essentially imply that value-in-use comprises all consequences resulting from the resource integration which are perceived by the customers and which enable them to or prevent them from achieving their goals.

If value for the customer is interpreted accordingly, it can be deduced that it does not only result from the perception of the resources contributed and the processes carried out by the suppliers, but that it also refers to the customers' resources and processes (Payne, Storbacka und Frow, 2008; Vargo and Lusch, 2008). These include the actual customer's usage processes (Grönroos and Voima, 2013; Pfisterer and Roth, 2015) as well as the customers' and suppliers' joint processes of resource integration (Kleinaltenkamp et al., 2012). In order to actually avail oneself the potential value of resources of one's own and of others and thus create a value for one's own, customers must not only become active but also show the necessary effort. Hence, resource integration and value cocreation are intertwined processes in a way that "outcomes are based on a combination of parties' efforts.... Notice that complete independence and complete dependence do not imply a social exchange... because an exchange requires a bidirectional transaction – something has to be given and something returned" (Cropanzano and Mitchell, 2005:876). Research on these phenomena of interactive value creation is still in its early stages. So far, research in this field has mainly focused on process models (e.g. Prahalad and Ramaswamy, 2004; Payne, Storbacka and Frow, 2008; Grönroos and Voima, 2013), approaches to distinguish different phases of joint value creation (e.g. Lambert and Enz, 2012), and the conceptualization and differentiation of usage processes (Pfisterer and Roth, 2015). Besides from these issues, many other aspects have been examined only very little up to now. They include questions how value is exactly created from such joint processes, what customers motivates to participate in such processes, to what extent they are aware of their contributing role and which consequences result from this with regard to their behavior, or how they assess their own contribution for the value creation. In this regard a central point touching all these issues is the question what value really is for the customers.

OUTPUT DIMENSION: VALUE CONCEPTS

In literature three main concepts of customer value have been differentiated up to now with respect to its reference object (Lindgreen and Wynstra, 2005; Ng and Smith, 2012): While economics and early marketing literature mainly focused on (1) value-in-exchange (Vargo

and Lusch, 2004; 2008), more recent developments featured relationship and usage aspects of value. This found its expression in the concepts of (2) relationship value and (3) value-in-use.

1. From the customer's point of view value-in-exchange comprises the expectations on product or service attributes the customer develops during the buying process. Whereas from the supplier's perspective, value-in-exchange contains the promised product or service attributes the provider offers within the value proposition (Payne, Storbacka and Frow, 2008; Grönroos, 2009). So value-in-exchange represents a kind of a snapshot view of the value embedded in products or services (Vargo and Lusch, 2004) in the very moment when both parties agree to complete a market transaction. In this context research on value-in-exchange focused mainly on the attributes of products and services as the subject matter of exchange and the price put upon this (Vargo and Lusch, 2008), the price-performance ratio as the relation between product (attributes) and price, and the impact these dimensions have on customer buying behavior.
2. In contrast to this relationship value reflects a longitudinal perspective. If one understands a business relationship as a series of transactions (Kleinaltenkamp and Ehret, 2006), relationship value represents the sum of the benefits and cost reductions generated in such ongoing exchanges with a business partner (Lefaix-Durand et al., 2009; Ravald and Grönroos, 1996). So far, research on relationship value is mainly oriented at a better understanding of the drivers of value creation within relationships (e.g. Lapierre, 2000; Ulaga and Eggert, 2006; Walter, Ritter and Gemünden, 2001; Zeithaml, 1988), the multidimensional and dynamic nature of value creation in business relationships (e.g. Beverland and Lockshin, 2003; Cannon and Homburg, 2001; Eggert, Ulaga and Schultz, 2006; Flint, Woodruff and Gardial, 2002; Hogan, 2001), and the processes through which value develops (e.g. Lepak, Smith and Taylor, 2007; Prahalad and Ramaswamy, 2004).
3. Lately, within the development of service logic and service-dominant logic of marketing the notion of value-in-use came up. Building on Vargo and Lusch (2004; 2008) and Grönroos (2011) as well as Woodruff (1997) and Woodruff and Flint (2006) this value-in-use is seen as a customer's outcome, purpose or objective that is achieved through service (Macdonald et al., 2011). As this service usage is always taking place in a certain context, this value-in-use is also referred to as value-in-context (Vargo, 2008; Vargo and Lusch, 2011). In contrast to the value concepts mentioned before not so much research has been conducted on the conceptualization and empirical testing of the concept itself, its drivers or outcomes so far (Gummerus, 2013). This is even more necessary as value-in-use can be seen as the linking pin connecting value-in-exchange on the one hand and relationship value on the other (see figure 1). While value-in-exchange contains descriptions (value propositions) or assessments of the different attributes of the product or service to be exchanged in a market transaction, relationship value is more of a cumulative or summative value appraisal. It emerges in the course of time and reflects across several transactions past experiences ("history matters") as well as future expectations ("shadow of the future")

related to a provider-customer relationship. But how do fulfilled or unfulfilled value expectations or value propositions lead to relationship value? This (non-)fulfillment obviously takes place when a product, a service or a combination of both is used. In line with the distinction of “choice utility” and “experience utility” (Kahneman, Wakker and Sarin, 1997) we assume that value-in-exchange (representing “choice utility”) builds the precondition for value-in-use (representing “experience utility”) as without any mutual agreement to exchange and integrate resources on the basis of value-in-exchange no use would happen. Furthermore, utility research suggests that remembered utility builds the basis for preferred repeat behavior. Thus, it constitutes also the starting point for further decisions to act in such a way that future experience utility is maximized. Thereby, experienced utility also influences choice utility as it changes expected utility (Kahneman and Snell, 1992). Building on this research stream we assume that value-in-use experienced in resource integration processes builds a main influence of the relationship value developing across transactions over time and thus for the rationale of re-buy and reselling decisions. And in an ongoing provider-customer relationship this relationship value again shapes the expectations forming the value-in-exchange of a following transaction.

To sum up, the value concepts outlined above are related as follows (see figure 1):

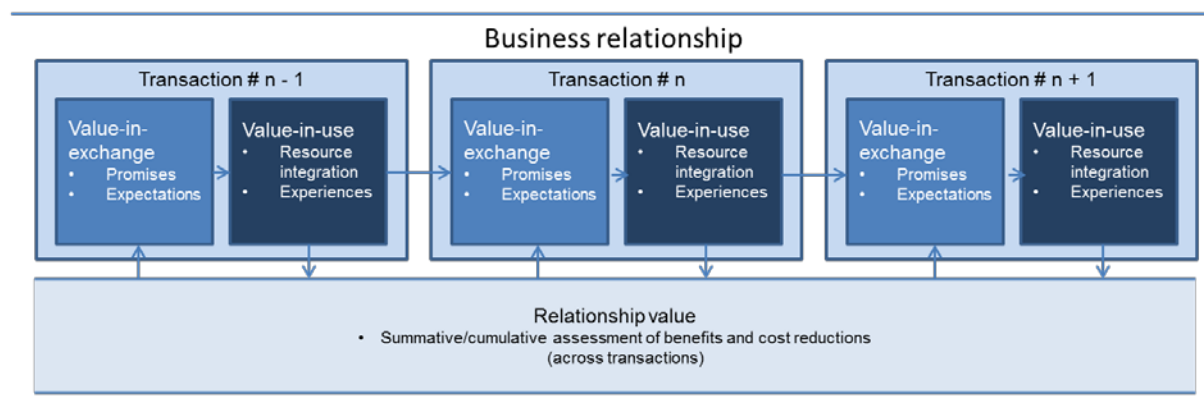


Figure 1. Linkages of value concepts

1. Value-in-exchange comprises value propositions or assessments of the different promised or expected attributes of products or services acquired or sold within a market transaction. It is a prerequisite for achieving value-in-use, since without a mutual consent to exchange resources on the basis of value-in-exchange no resource integration would take place.
2. Value-in-use is experienced through resource integration and is related to supplier and customer resources and processes as well as to joint processes.
3. Value-in-use experienced in transactions is a main factor influencing the value of a business relationship over time. In an on-going supplier-customer relationship this relationship value determines again the expectations with respect to value-in-exchange in a follow-up transaction and thus constitutes an important foundation for

re-sale and re-sales decisions.

Following these considerations it becomes obvious that the determination of the value creation from the customers' point of view is initially very dependent on the fact which output, i.e. which value the customers have in mind. How does this influence the customers' contributions to resource integration processes?

INPUT DIMENSION: CUSTOMER CONTRIBUTIONS

The resources integrated by an actor are all tangible and intangible elements owned by actors or being accessible to them at the point of time when the decision to integrate resources is made, and which are used by the actors in question to reach the goals intended with resource integration processes. It is therefore not a mandatory necessity that the actors have ownership of the relevant resources. It is sufficient to be able and allowed to use it (Kleinaltenkamp et al. 2012), i.e. to have access to it (Wittkowski, Moeller and Wirtz, 2013).

In this context intellectual inputs are especially the customers' capability to give, take in and process relevant information for a creation and use of a service. Emotional inputs, however, describe the customers' affective willingness to collaborate as well as their emotional way of dealing with situations in which service creation and use take place. Physical inputs, finally, comprise the customers' time requirement, their presence as well as their physical strength. These kinds of inputs can be also influenced by the customers' lifestyle, level of education and individual traits of character (for the health-care sector: Reijonsaari, Helkkula and Linna, 2011).

Apart from the inputs in themselves also the efforts the actors undertake in integrating resources are to be seen as a customer contribution to the value creation (Chen, Drennan and Andrews, 2012). Following Nayler, Pritchard and Dilgen (1980), effort can be defined as the quantity of energy used by an actor for resource integrating activities per time unit. Although the significance of effort is at least implicitly acknowledged in the field of Service Dominant-Logic, up to now it has not been sufficiently anchored in the theoretical considerations about the integration of resources.

The inputs integrated as well as the efforts shown by the customers can be interpreted as specific investments which the customers make in order to reach their goals aimed at by means of the resource integration. At the same time it must, however, be considered that the specificity of an investment depends on the reference object to which it relates (Kleinaltenkamp and Ehret, 2006), in this context the value concept the customer focusses on. It can therefore be assumed that customers orienting themselves more strongly towards the value-in-use to be achieved within an individual transaction will behave differently from those aiming more strongly at a cross-transactional relationship value.

Furthermore, studies from the field of psychology show that customers higher appreciate things they produced on their own or participated in the production of which than things they simply acquired. This also so-called "IKEA effect" (Mochon, Norton and Ariely, 2012;

Norton, Mochon and Ariely, 2012) makes clear that customers definitely contribute to the value creation and that they are – at least in part – also aware of it.

Studies on this issue in the field of health-care services showed, in addition, that there are different types of patients contributing with different intensity to the creation and use of the respective services (McColl-Kennedy et al., 2012). At the same time it became evident that such different levels of the customers' activity and contribution also led to different assessments of the patients' perceived quality of life (McColl-Kennedy et al., 2012).

Research concerning such practices of the integration of resources on the customer side is still in the early stages (e.g. Kjellberg and Helgesson 2006; 2007; Lusch and Vargo, 2014; Skålén et al., 2014). Generally, the focus is here on the forms of access to resources, mobilization or activation, use, sharing as well modification. To this day, with the exception of Pfisterer and Roth (2015), the literature lacks, however, a clear typology of core practices of the integration of resources.

PROPOSITIONS

Based on the considerations above the following propositions can be deduced:

Proposition 1: Customer inputs and customers' efforts in resource integration processes are specific investments into resource integration which are related to a reference object. This can be an individual transaction with or the business relationship to the supplier.

Proposition 2: The inputs and the effort made by customers with regard to resource integration processes are dependent on the value they primarily address hereby, i.e. whether the customers rather focus on value-in-use, or rather on relationship value, or more or less on both factors.

Proposition 3: The more customers are focused on achieving relationship value, the more effort they will make with regard to the resource integration processes, and the more inputs they will make to obtain a relationship value as high as possible.

Proposition 4: Within resource integration customers experience not only the quality of the suppliers' processes, but also the quality of their own processes as well as the quality of the processes carried out jointly by suppliers and customers. All these qualities perceived contribute to the customers' value creation.

These listed propositions are first assumptions about the interdependences between value creation on the customer side and customer contributions to such processes. More extensive research is necessary to further conceptualize and empirically examine these scientifically interesting and practically highly relevant relationships.

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MANAGING SERVICE BUSINESS

MANAGERIAL SENSEMAKING IN BUSINESS MARKETING

Tore Strandvik and Maria Holmlund

Managerial sensemaking has been largely neglected in industrial marketing research, which has predominantly paid attention to networks of actors, activities and resources. This is surprising considering that companies are fundamentally guided by sensemaking that is structured by mental models that underlie it. A mental model in a business setting is here defined as a cognitive belief system held by a key actor considered on an individual, team or company level. Mental models filter managers' attention and guide the company's sensemaking and subsequent decisions and behaviour. This paper introduces the strategic marketing implications from considering mental models in industrial companies. The paper contributes to current industrial marketing research by highlighting managerial sensemaking as a complement to current activity and resource-dominated studies and offering conceptualizations of mental models to be used in further theoretical and empirical studies.

INTRODUCTION

"We are shaped by our thoughts; we become what we think."

Buddha

This quote was originally intended to reflect the power of the mind of human beings, but it holds equally well for groups of people, such as a company. In industrial organizations this philosophical thought comes into play when these companies have to face the challenge of renewing their business models in order to stay competitive. Many researchers (e.g. Oliva and Kallenberg, 2003; Gebauer, 2008; Kindström and Kowalkowski, 2014) have described this topical challenge as a question of service infusion or servitization, i.e. a suggestion that traditional manufacturing companies need to adopt a service perspective. The demand for change in such endeavours is extensive, and studies report on different obstacles related to competitors, suppliers and partners; society and environment; customers; finance; knowledge and information; products and activities; and organizational structure and culture (Gebauer and Kowalkowski, 2012; Hou and Neely, 2013). What studies have not stressed but what can be inferred is that servitization is essentially about changing mental models, i.e. how well the company can transform its view on business and how well the new mental model is in line with its new way of doing business. Much of the reported problems seem to stem from challenges in transforming the mental models of the manufacturer. This also applies to a business model renewal in general (e.g. Johnson, Christensen and Kagermann, 2008; Teece, 2010). It is essential to explore mental models since they are fundamentally about how managers think, what they observe and what the companies do, all of which in turn affect results (Strandvik, Holmlund and Grönroos, 2014).

Building on this background, we explore managerial sensemaking and capture it with the notion of mental models. A mental model in a business setting underlies sensemaking and is

here defined as a cognitive belief system about business issues held by key actor(s), which can be individuals, teams or companies. This is of significance because the mental model filters managers' attention and structures the sensemaking behind company decisions and behaviour. Our paper builds on the interaction and network approach's core Actor-Resource-Activity (ARA) and Actors-Resources-Activities-Ideas (ARAI) models and other studies on mental models and related concepts, such as sensemaking. Contrary to many earlier studies, we specifically highlight the individual level in addition to the current company, relationship and network levels. The content of mental models and the context in which they are embedded are developed with two conceptualizations. Thereafter, mental models are illustrated with an example from the mobile phone market and how it has evolved. Lastly, implications from recognizing mental models in companies are presented. This chapter should interest researchers and managers who want to understand company strategizing (Barr, Stimpert and Huff, 1992), i.e. formal and informal strategy making in companies, especially from a sensemaking perspective.

There are many reasons for emphasizing mental models in an industrial setting. First, despite their significance, mental models have been overlooked in industrial marketing as a complementary type of content of business networks and settings alongside actors, resources and activities. Even if mental models occasionally are recognized in interaction and network studies in, for example, adjustment and routinization (Håkansson and Snehota, 1995), they have received scarce attention. Second, mental models should be explored because they are particularly useful for unveiling dynamics, such as triggers, content and consequences, of changes and evolution as well as resistance to change. The mental models of key managers in any business will have a decisive impact on how they make sense of business and how well each one succeeds in the dynamic markets of today. Third, there are few insights into managerial sensemaking in industrial marketing research, and therefore additional knowledge, techniques and tools are needed to diagnose mental models in research and practice. Fourth, if mental models are put in the foreground and seen as drivers of actors, resources and activities, new opportunities for research and managers can emerge.

MANAGERIAL SENSEMAKING

Sensemaking and mental models in companies are closely linked to strategizing (Barr et al., 1992). Normann (2001) considers the fundamental process of leadership to be 'interpreting a (continuously evolving) context, formulating our notions of our own identity and the emerging new contextual logic into a set of 'dominating ideas' which are both descriptive and normative, and then translating these dominating ideas into various realms of action' (p. 3). The problem is that 'the dominating ideas' reflect a 'reality' of the past, not the 'reality' of the present or the future. Normann points out, however, that this misfit is often obvious only in hindsight and that there are numerous interpretations and understandings of every reality. Specifically, mental models allow people and companies to predict and explain the world around them, to recognize and remember relationships among elements of the environment and to develop expectations for what is likely to occur next (see Rouse and Morris, 1986).

Generally, a mental model refers to a common interpretive scheme that tends to set in to become established in within companies or in industries (Huff, 1982). The business actors' understanding of their business and business landscape will determine what these actors perceive, how they make interpretations and what they choose to do (e.g. Gioia and Chittipeddi, 1991; Weick, 1995). For the models to be effective, they need to be articulated and accepted within the organization. Mental models define and direct, for example, what companies consider as significant resources and capabilities, key customers, suppliers as well as the business environment at large, which in turn will determine how companies develop their offerings, handle customer and supplier relationships and define the borders of their markets and research.

We allude to Normann's (2001) ideas of the importance of managers' individual and collective mental models captured in the title of his book *Reframing Business – When the Map Changes the Landscape*. From a managerial point of view, a key challenge is to understand and manage not only the content but also the degree of fit (and misfit) of individuals' mental models within a company. The concern can be extended to (mis)fits in relationships and business networks. Especially in situations where a change is needed, the mental models need to be uncovered before change attempts can be made. Consequently, organizational mental models impact formal analysis and policies and form the foundation for initiating and organizing subsequent action. Mental models can be identified on different abstraction levels. In this paper we focus on mental models at a high abstraction level, corresponding to what in the marketing literature has been labelled *business* or *marketing logic* or referred to as dominating ideas in companies (Normann, 2001). On a theoretical level, different business and marketing *logics* (for example, goods dominant logic, service dominant logic, customer dominant logic, relationship focus, network focus) have been suggested as approaches to make sense of business. This means that in practice managers will have to struggle with not only creating and changing their own understanding but also with revealing and coping with other individuals' understandings and changes in them. In the academic marketing literature, several fundamental shifts in perspectives and logic have been suggested over the years, covering an extension of scope from a focus on transactions to service episodes to customer relationships to networks of relationships and further to embeddedness in society.

Managerial cognition in the Interaction and Network Approach

Research within the interaction and network approach focuses on the nature and role of interaction, relationships and networks in business markets. One of its core models is the ARA model (e.g. Håkansson and Snehota, 1995:45; Håkansson and Waluszewski, 2002), which describes *actors*, *resources* and *activities* as the fundamental dimensions of relations in networks. *Actors* are those who perform activities, have knowledge about activities and resources and, alone or jointly in order to increase their control in the network, control activities and resources. *Resources* are seen as heterogeneous and mutually dependent and broadly grouped into human and physical types. The *activities* notion refers to how the actors

create, develop, exchange and interlink resources. The model recognizes cognition but does not seem to pay explicit attention to it. Welch and Wilkinson (2002) have called for more research to identify and measure key dimensions of cognition in firms in order to understand relations and networks, to identify the factors shaping the development of these schemas over time and how they affect firm behaviour. Because development of shared ideas and meanings affects each ARA dimension, they (Welch and Wilkinson, 2002) suggest that ideas should be analysed as a separate network process and meanings, logics, norms, theories, recipes, knowledge systems, paradigms, cognitive maps, ideologies, schemas, scripts and mental models should be grouped into one concept, i.e. *Ideas*, which becomes a fourth dimension in the ARA model. They (Welch and Wilkinson, 2002) define the logic that underlies the partner's view of the relationship, its functions and how it fits into their overall business: 'Mental maps have different roles such as help to focus attention and trigger memory, or they can signal priorities and supply missing information' (Fiol and Huff, 1992: 282, in Welch and Wilkinson, 2002).

Researchers other than Welch and Wilkinson within the interaction and network research field have added insights and tools that capture cognitive aspects in business networks. One such growing stream of studies applies the concept of network pictures (e.g. Öberg, Henneberg and Mouzas, 2007; Ramos and Ford, 2011; Leek and Mason, 2010), which has also been introduced as a cognitive component of industrial network management, formally defined as 'the views of the network held by participants in that network' (Ford et al., 2003:176). A key concept for cognitive aspects that fits well with an organization's and network's identity construction in the interaction and network approach is sensemaking (Naudé, Henneberg and Mouzas, 2010). It is defined in line with Weick and his co-authors (Weick, Sutcliffe and Obstfeld, 2005) as an actor's ability to perceive, interpret and construct meaning of the emerging business landscape in 'a process that is ongoing, instrumental, subtle, swift, social, and easily taken for granted' (p. 409). Sensemaking has been used as a foundation for network pictures but neither sensemaking nor network pictures has been used in the few published studies on how they are related to company strategy in networks (e.g. Ford and McDowell, 1999; Möller and Halinen, 1999; Ford et al., 2003; Gadde, Hümer and Håkansson, 2003; Ritter and Gemünden, 2003; Ritter, Wilkinson and Johnston, 2004).

Managerial sensemaking in the ARA/ARAI models

Sensemaking is the process by which people give meaning to experience (Weick, 1995; Weick et al., 2005). With mental models as the starting point, the significance of individuals can be highlighted. Therefore, building on the ARA model (Håkansson and Snehota, 1995:45; Håkansson and Waluszewski, 2002) and extended ARAI model (Welch and Wilkinson, 2002), we suggest that the current company, relationship and network levels of these models need to be augmented with a new and supplementary level, an individual level. Table 1 shows the subsequent extension of the current way of distinguishing and depicting the three functions in the ARA/ARAI models. The new function is depicted in grey to highlight that it is new and is shown as the first of four columns. The individual-level

function can be seen as narrower in scope than the other functions in which it is embedded. This paper primarily focuses on individual- and company-level sensemaking, which is denoted in bold.

Table 1. ARA/ARAI models augmented with a new individual-level function and highlighted individual- and company-level sensemaking.

		FUNCTION			
		Individual	Company	Relationship	Network
SUBSTANCE LAYER	Actors	Management position	Organisational structure	Actor bonds	Web of actors
	Resources	Competence	Resource collection	Resource ties	Resource constellation
	Activities	Practices	Activity structure	Activity links	Activity patterns
	Ideas	Individual schema	Schema	Schema couplings	Schema configuration

Source: Developed from Håkansson and Snehota (1995:45) (ARA) and Welch and Wilkinson (2002) (ARAI).

Mental models refer to the Idea notion in the ARAI model. Schema is the notion used by Welch and Wilkinson (2002) who, in line with the ARA model, started from the company perspective and then broadened the scope to relationship and network. However, we add to their model that individuals have mental models, denoted as individual schemas in the table, and that individual schemas need to be distinguished from the aggregated schema on the company level and from schema couplings in relationships and schema configurations in networks. Individual-level schemas are the fundamental building blocks of mental models. The interaction and network approach-related studies that analyse network pictures tend to start from the opposite network configuration position in the table and study network-level ideas, actor activities, or resource topics.

Table 1 also illustrates that each of the models' substance layers (Actors, Resources, Activities and Ideas) can be extended to an individual level (instead of just company, relationship and network levels as depicted in ARA/ARAI). The activities that on the company level form activity structures would on the individual level relate to practices of individuals, i.e. what are the actual behaviours and actions of individuals? The resource-layer concepts that on the company level entail resource collection correspond to competence at the individual level, i.e. what are the individuals' skills and know-how? Following the organizational structure function on the company level, we suggest that individual-level functions on the actor layer would entail the management position, referring to how the individuals are positioned, i.e. their roles and influences in the company. The new function Individual is also applicable to the Ideas level and results in recognizing individual schemas.

It is easy to intuitively understand the significance of certain actors' individual schemas, for example, those of the CEO and other members of the top management team. It is not merely the executives but also others in the company who have mental models and make sense of the business. The significance of individuals in the decision making differs, which justifies understanding what the company-wide schema is. The introduction of an additional and separate individual-level dimension fits well with and deepens the current ARA and ARAI conceptualizations.

The content of mental models

We now use the ARA and ARAI models to distinguish between two types of mental models, i.e. individual and company level. On each level we suggest that the models can be described with two complementary aspects, namely the content of the model and model formation. Studies traditionally consider sensemaking both as a process whereby meaning is created and shared and as the outcome of this ongoing process. It is therefore natural to analytically distinguish between these two as different aspects of mental models even if they co-exist in companies (see Figure 1).

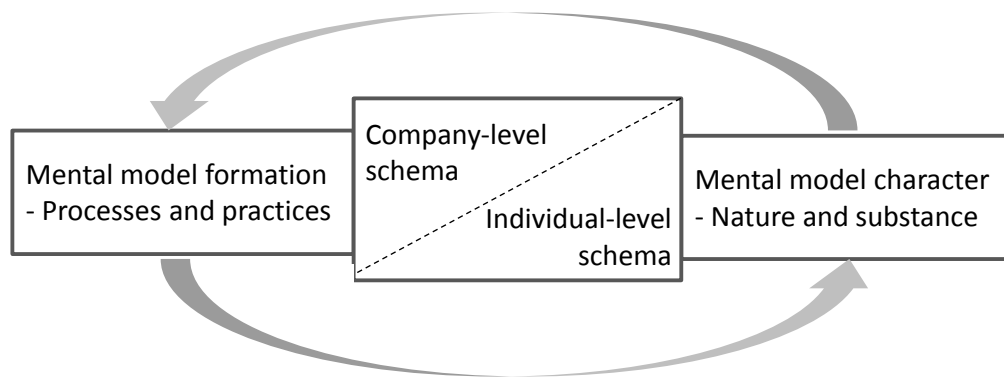


Figure 1. Mental models in a company setting

The first aspect of the mental model refers to its nature and substance, which are the essential core elements and character, such as stability and complexity. The content of individuals' mental models can be expected to vary depending on their background and position. The extent to which they have similar or conflicting views would have implications for the company's aggregated mental model, especially for how stable it is. The second aspect captures the formation, referring to the process and practices behind the individuals' and company's mental models. Later in this paper we show an example of company-level mental models in the mobile phone industry.

Mental Models in Company Strategizing

We developed the notion of mental models further by combining the above model with the setting in which it exists. The 'theory-in-use' or mental model in use in a company represents

the negotiated outcome of dominating actors in the company (Normann, 2001). Their current mental map is related to those that existed earlier in the company. Figure 2 shows the mental models in the strategizing context.

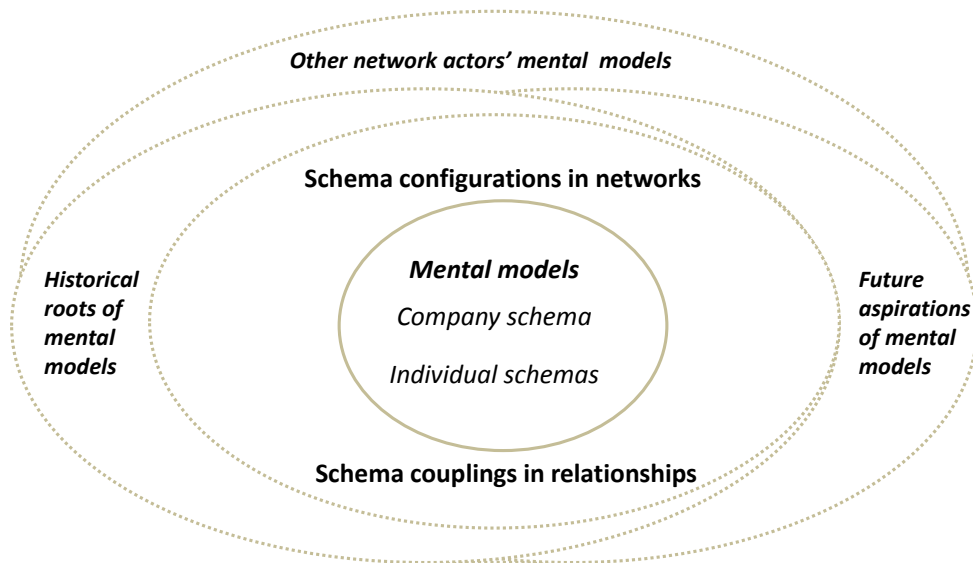


Figure 2. Mental models in the strategizing context

There is a mental map legacy embedded in, for example, structures, processes, systems, organizational structures, relationships and values, as these often were designed by managers in the company's past. The *historical roots* are still living in the organization and influencing the current mental maps. For example, in a servitization attempt, even if the dominating actors are thinking in terms of service, there might be functions, departments and groups that have a product focus and resist change. As the business environment in many industries has become less stable than in previous years and also unexplored and unknown when there is a need to enter new markets because of, for example, company *aspirations*, the current mental model may be affected. For example, service thinking might not be perceived to be suitable for all markets, or the opposite, it is perceived as a necessity to enter new markets. There are also frequent situations where new mental models are forced on the company; for example, mergers and acquisitions or the appointment of a new CEO. *Other network actors*, such as *suppliers' and customers' mental maps*, may represent the strongest influence on the dominating actors in the company. In the immediate context, there are also schema couplings in relationships and schema configurations in networks in which the mental models of a company are embedded. To conclude, mental models are constantly challenged and in a formation process.

MENTAL MODELS IN THE MOBILE PHONE MARKET – AN EXAMPLE

The mobile phone market serves as an example to illustrate different mental models and the change in them over time during the past few years. This market represents a topical and turbulent industry experiencing a great deal of challenges and thus offers a rich setting. Our reflections are based on different secondary data sources and ample information and material

available in different formats, such as websites, business magazines, management books and scientific articles (e.g. Doz and Kosonen, 2010; Aspara et al., 2011). We focused on revealing how the mobile phone manufacturers define their business and how this view has changed over the years.

It appears that different business logics can be found and these differ over time. The eras are partly overlapping but have in Figure 3 been separated into three consecutive time periods. The strategic focus in each of them is different as are apparently the underlying mental models. The figure groups together the process and the outcome of the strategizing, and the latter dominates the illustration.

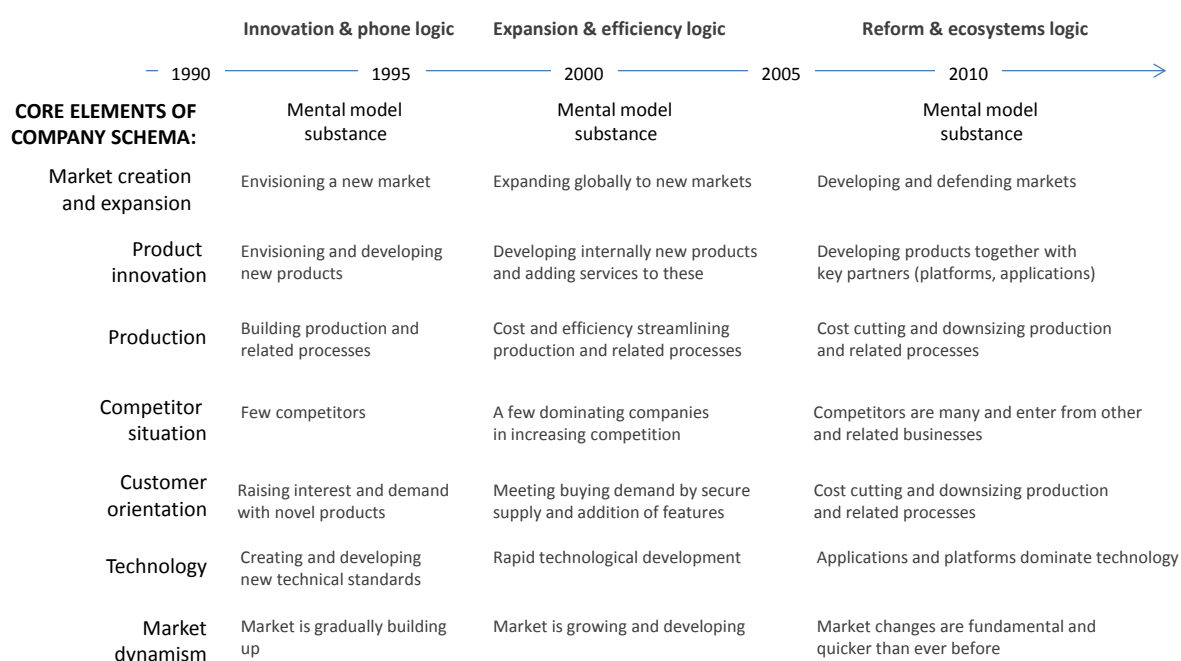


Figure 3. Company schemas distinguished over time in the mobile phone market.

When the market first started, the primary incentive for the companies was to innovate. The phone as a technical device was new and there was yet no market for it. The focus was predominantly on the tangible product. Nokia became the key creator of a new mobile phone market on a global scale. Gradually, as the market matured, focus for Nokia and the other mobile phone manufacturers shifted to expanding and increasing efficiency in manufacturing. A third, different and currently ongoing phase adds new issues, such as renewing the business and seeing the business as eco-systems; the focus is clearly much less on the tangible device. Other aspects compared to the initial phase dominate what the mobile phone market is about. The figure identifies core elements of company schemas in the market and shows how an industry's mental models can be interpreted.

Nokia and Apple serve as illustrative examples of two companies who have very different company schemas and subsequent business within the same line of this business. The former company started from developing/refining the mobile phone device; gradually, it enlarged its perspective through considering the network and emphasizing the producer eco-system in

which interactions with others are of importance. In contrast, Apple started from the customer and maintained its customer focus while expanding the scope of its offering. At Apple the dominating idea was anchored in the individual mental map of the founder of the company, whereas Nokia created its early success by the coherent mental map of a core management team, the dream team. Nokia did not succeed in making the transition in mental models from phase two to three, while Apple's mental model seems to have had a better fit with the changes in the marketplace and seems to be the foundation for the current success.

IMPLICATIONS

Several ideas for further research emerge from recognizing mental models in a company setting. First, more attention should be given to managerial sensemaking in business and marketing issues. Research about servitization and business model innovations should benefit from managerial sensemaking literature from outside the research discipline and should strive to capture sensemaking behind such processes in empirical studies. Kindström and Kowalkowski (2014) in their recent servitization study arrive at the same conclusion. The significance of mental model inheritance is obvious in such situations related to how companies change. Other situations would also be interesting from a mental model point of view, such as how managers 'see' for example markets, customers and competitors as well as how they interpret different crises, refocusing of business goals, new ventures, unsuccessful decisions, and dominating actor changes. Insights into the processes that lead to changes in managers' mental models would also enrich our understanding of the significance of mental models. In many industries managers may be captives of the prevailing mental model in their industry in the sense that they lack tools to change their mental model even if they recognize the need for it.

Furthermore, to researchers who currently explore company, relationship and network-level issues, our new Individual level function could provide a complementary level of analysis. Not only individual schemas could be in focus but also individuals' activities, competence or positions. Recognizing and exploring the significance of individuals in a company setting in terms of what positions they occupy could reveal different types and constellations of dominating actors. New aspects related to processes and change could be identified, such as individuals or groups of individuals who initiate, impact and hinder company change. The competences and activities of key individuals could similarly in the changes be selected to reveal complementary aspects that current studies focused on activities or resources overlook.

In general it can be said that there are inherent empirical method challenges in studies on sensemaking and mental models. There are no established methods or ways of operationalizing the concepts and they encompass many different aspects. Any single method or data type will have its limitations. Method development and innovative ways of exploring, analysing and presenting and illustrating sensemaking and mental models are therefore needed. Perhaps experiments (Diaz Ruiz and Kowalkowski, 2014) and diary methods (Green and Cluley, 2014), which are seldom-utilized methods in industrial marketing studies, could be considered.

A separate set of ideas refers to group sensemaking and sharing. How do the board members' mental models form and how do the models develop, i.e. what are the group sensemaking dynamics? Both a micro-level perspective during single meetings and a long-term scope on these issues could be worthwhile to explore (cf. Holmlund, 2004). What characterizes a dominating actor and a dominating idea in a company setting? On a broader level in the company, how do ideas spread in the company and what are the consequences of tribes with conflicting ideas? On a network level, it would be interesting to explore how companies' mental models overlap or differ within the same industry, and what consequences this has for the individual companies and the industry.

Choosing a dynamic perspective is another option. For example, how do mental models evolve, i.e. logics change over time? How do mental models spread in networks? How can a company or individuals deliberately change the mental models of others, individuals, companies or a whole network? What can companies do with current structures, practices and tools if the mental model changes? What are the mental models in situations where there are challenges to cope with in a changing context? Managerially related research ideas involve concerns. What are primary concerns for managers—on an individual and company level? What implications do these concerns have, i.e. in what ways do they drive strategy and behaviour? What can be done to address the concerns?

There are many managerial implications from recognizing mental models as well. There is scant advice on what to do with current structures, practices and tools if the mental model changes. Should the company still have a marketing department, sales persons, customer service; should customer satisfaction surveys still be made; should innovation of offerings still be made in the same way as earlier; are current marketing communication practices still appropriate; and if not, what should be done differently and how?

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ADAPTING BUSINESS MODEL THINKING TO SERVICE LOGIC: AN EMPIRICAL STUDY ON DEVELOPING A SERVICE DESIGN TOOL

Katri Ojasalo and Jukka Ojasalo

This study develops further one of the most popular business model frameworks, the business model canvas, into a Service Logic Business Model Canvas to better take into account service logic principles. Here, the term “service logic” covers the basic principles of the contemporary business logics: service-dominant logic (SDL), service logic, and customer-dominant logic (CDL). The knowledge gap that the present study aims to fulfil is twofold. Firstly, the literature on service logic includes little knowledge on how to apply this thinking on the practical business level. Secondly, the business model literature offers very little knowledge on how to make business models to follow the service logic. By using the interactive research and constructive approach, this study develops a tool for designing service that takes into account multiple stakeholder perspectives. This tool, the Service Logic Business Model Canvas, includes both the provider’s viewpoint (value capture) and the customer’s viewpoint (value creation). Based on an empirical study, this tool seems to be relevant and simple to use, and when integrated into a service design process, it may help companies to implement the service logic.

INTRODUCTION

A business logic is a strategic mindset, or a mental model, of a company and its business activities (e.g. Heinonen et al., 2010), and thus it guides conscious and unconscious decisions made in companies. Contemporary academic discussions on business logics that focus on the identification and creation of customer value (e.g. Vargo and Lusch, 2008; Heinonen et al., 2010; Grönroos and Ravald, 2011) and the actual business logics that companies apply in practice seem to differ significantly (e.g. Allen et al., 2005, 2006). Traditional thinking about value creation in business sees every company as occupying a position in the value chain, adding value to inputs and then passing the output to the next actor in the chain (see Porter, 1985). In a value chain, value creation takes place inside a company through its own activities, and companies act autonomously with little or no interference from customers (Prahalad and Ramaswamy, 2004). Consequently, the value-added is equalized with the cost incurred by the supplier company (Gummesson, 2008). This traditional business logic based on goods-dominant logic (GDL) suggests that value is embedded in the units of output (value-in-exchange), and the outputs present the fundamental units of exchange (e.g. Vargo and Lusch, 2008). Interaction takes place mostly at the end of the value chain, and the value chain stops when the end-customer has bought a product or service (Prahalad and Ramaswamy, 2004). GDL highlights the supplier company’s process as primary, and the role of a customer is to fulfil scripts defined by the supplier (Heinonen et al., 2010).

During the past decade, the academic discussion has strongly shifted away from GDL and the traditional thinking about the sequential value creation process to new business logics that

emphasize customers' active role in value creation (e.g. Vargo and Lusch, 2004; Grönroos, 2006; Heinonen et al., 2010). The service-dominant logic (Vargo and Lusch, 2004, 2008), service logic (Grönroos, 2006, 2008), and customer-dominant logic (Heinonen et al., 2010; Voima, Heinonen and Strandvik, 2010) have dramatically changed the understanding of business thinking and value creation (Schlager and Maas, 2012). However, most businesses continue to operate in terms of GDL, and the reason for this may not always be ignorance of the new thinking. Most importantly, popular business tools that direct companies' planning and decisions are still based on GDL (e.g. Viljakainen, Toivonen and Aikala, 2013; Lüftenegger, 2014). Thus, practitioners do not have tools and simply may not know how to implement contemporary business logics that focus on customer value (SDL, service logic, CDL) in their business.

This chapter aims to increase understanding of how to adapt a business model to accommodate service logic. Here the term "service logic" covers the basic principles of the three customer value focused business logics (SDL, service logic, CDL). Based on an empirical study, this chapter further develops one of the most popular business model frameworks, i.e. the business model canvas, to better take into account service logic principles. The methods suggested are developed in the context of service design, which is an emerging research field that offers practical approaches for developing service businesses based on genuine customer insight (e.g. Ojasalo, Koskelo and Nousiainen, 2015).

The empirical method of this study is based on interactive research and the constructive approach. The research process took 14 months and consisted of 11 steps. More than 100 persons and 70 companies were involved in the process. The interaction in which data were generated and understanding was increased consisted of nine interactive workshops in which data from pre-understanding, interaction, interpretation, increased understanding, and existing theories were woven together. The business model framework was modified and developed gradually during this process.

The rest of this chapter is organized in the following way. First, it briefly discusses the contemporary business logics and the service design approach. Then it views the business model development and the Business Model Canvas framework. After that, it explains the empirical method of this study. Then, as a result, it introduces the modified business model framework developed during the empirical study. Lastly, it discusses the theoretical and managerial implications of this study and draws final conclusions.

CONTEMPORARY BUSINESS LOGICS FOCUSING ON CUSTOMER VALUE

Contemporary customer value focused business logics open up new opportunities for any company in any industry to develop their business strategies in ways that previously were unique to companies representing pure service industries only (e.g. Grönroos and Ravald, 2011; Grönroos, 2011; Lüftenegger, 2014). The service-dominant logic (SDL), which stresses the co-creation of value, value-in-use and value-in-context, has been proposed as an alternative view to the traditional notion of value-in-exchange (Vargo and Lusch, 2004,

2008). The central idea of the SDL is that there is no value until the offering is used and experienced by the customer (Vargo and Lusch, 2008). The SDL argues that a company can offer value propositions and value is always co-created (Vargo, Maglio and Akaka, 2008). Grönroos (2006, 2008) has provided an alternative view, service logic, which suggests that customers are value creators during value-generating processes and in value-supporting interactions. Companies are facilitators and co-creators that engage themselves in the customers' processes. In other words, customers not only determine the value, but also control the value creation in their processes (Grönroos and Ravald, 2011; Heinonen et al., 2010; Voima et al., 2010). Gummesson (2008) suggests that when focusing on value-in-use, the supplier offers a value proposition that can support customer's value creation processes, but it is the customer who actualizes the value. In other words, the role of a company has shifted from being a producer of value to a supporter of value, since customers are in charge of their value creation (Grönroos, 2011). Thus, adopting the service logic means that the supplier company searches for possibilities to understand and support the customers' value creation processes (e.g. Grönroos and Ravald, 2011; Grönroos and Voima, 2013). Value emerges rather than being delivered (Grönroos, 2006; Gummesson, 2007), and service providers can only create resources and means to facilitate customers to create value for themselves (Grönroos, 2006).

The latest Nordic School concept "Customer-dominant logic" (CDL) goes still further and emphasizes a deeper understanding of the customer's everyday life and the service experience as a long-term, context-bound process (Heinonen et al., 2010). Understanding the customer experience also before and after an interaction and knowing how value is experienced in the customer's own context gives companies opportunities to help their customers to better fulfil their daily tasks (Heinonen et al., 2010; Voima et al., 2010). Heinonen et al. (2010) argue that SDL and service logic are still production and interaction-focused, and in these logics, service is viewed from the perspective of a service provider (see also Schlager and Maas, 2012). According to their view, SDL represents a more advanced company-based view where the customer is seen as a partner in co-creation, but which offers an incomplete understanding of what the customer does with the service. Also Strandvik, Holmlund and Edvardsson (2012) suggest that even though the SDL highlights the customer's service experience and value co-creation, the common terminology (e.g. a solution, service offering, and value proposition) still implies the seller company's dominant position for value creation. Strandvik et al. (2012) found in their study that seller companies are too preoccupied with their own products and tend not to make a sufficient effort to learn about individual customers and how they think. They conclude that the sellers' mental models differ from the customers' and developed the "customer needing" concept to draw attention to mental models in a setting where, typically, only resources and activities have been recognized. What makes the concept of needing even more significant is that it goes beyond studying customer needs and wants as such and instead aims to reveal the customer's logic (Strandvik et al., 2012).

While most customer practices, activities and experiences are often more or less subconscious, value creation may be described as value emergence or formation (e.g.

Heinonen et al., 2010; Grönroos and Voima, 2013). In the CDL, value emerges when a service becomes embedded in the customer's context, activities, practices and experiences together with the service company's activities. Heinonen et al. (2010) argue that it is important to understand how value emerges also from the customers' mental and emotional experiences and what the customers are doing to accomplish their goals. In other words, a more holistic understanding of the customer's life, practices and experiences (in which service is embedded) is needed. This requires that companies build their businesses on an in-depth insight into customers' activities, practices, experiences, and context, and analyze what implications these have for the service (Heinonen et al., 2010). To implement CDL, companies should learn what processes customers are involved in, in their own context, and what different types of inputs (both physical and mental) customers need to support these (Heinonen et al., 2010).

In this study, the term "service logic" is used to cover the basic principles of all three logics (SDL, service logic, CDL) that acknowledge the importance of customer value. The service logic has profound theoretical and managerial implications for businesses (e.g. Edvardsson et al., 2010; Lüftenegger, 2014). However, even though the business logics and the thinking of value creation have changed over the past ten years, very little knowledge exists on the implementation of service logic (e.g. Heinonen et al., 2010; Karpen, Bove and Lukas, 2012). Especially the principles of CDL, which entail facilitating customers' activities, have not been given sufficient attention in the current service thinking and business practice (Heinonen et al., 2010).

The traditional models and tools used in new service development and service innovation tend to be based on provider-dominant logic focusing on processes controlled by the focal company (e.g. blueprinting). The typical provider-dominant way of developing offerings have been to start from the offering and then identify the customers' activities where the company can fit in. The recent trend of integrating design thinking into service business development turns the process over by starting from deeply understanding customers' activities, and then based on deep customer insight, ideating and designing new ways to support customers' activities and embed the service in customers' existing and future contexts, activities, and experiences (e.g. Ojasalo et al., 2015). In other words, design thinking and the approach and methods of service design bring new kinds of means for implementing service logic. The principles of service design support the service logic since the process and outcomes of service design are not based on what an offering can do, but on what customers want to achieve and what they do with the service (e.g. Wetter-Edman, 2011). When applying the service design approach, companies might do in-depth ethnographical research and use various methods to involve customers and other stakeholders as active partners in the design process. In other words, a service is designed with the customers, not just for them (e.g. Segelström, 2013). This kind of approach helps in diagnosing and revealing the customers' mental models and in forming a picture of their needs and translating these needs into an offering that truly matches their needing (cf. Strandvik et al., 2012).

SERVICE DESIGN SUPPORTING THE IMPLEMENTATION OF SERVICE LOGIC IN SERVICE INNOVATION

Service design methods are relevant in the present study since these provide a practical set of tools for companies to explore their customers' world, develop service experience and, ultimately, facilitate customer value creation. This is further supported by Wetter-Edman (2011), who studied the relationship between SDL and service design and found that service design practices have the potential to realize SDL in business.

The service design approach is both a set of methods for practitioners developing a service as well as an emerging scientific field. The general awareness of service design has increased rapidly among practitioners because the methods of this approach have proven to be very powerful in bringing customers and the service experience into the centre of service development (Ojasalo et al., 2015). On the other hand, academic research on service design is still in its infancy, but it is growing (e.g. Erlhoff, Mager and Manzini, 1997; Pacenti, 1998; Sangiorni, 2004; Han, 2010; Wetter-Edman, 2011, 2014; Gloppen, 2012; Vaajakallio, 2012; Clatworthy, 2013; Segelström, 2013; Blomkvist, 2014).

Based on over twenty different processes for service innovation, new service development, and service design described in the literature, Ojasalo et al. (2015) have developed a framework for service innovation based on service design and foresight. This framework gives an overview of the service innovation process and methods often used in service design (Figure 1). The framework presents four phases of the service innovation process: 1) Map and understand, 2) Forecast and ideate, 3) Model and evaluate, and 4) Conceptualize and influence. It should be noted that the process is rarely linear. It may be highly iterative and the phases might overlap. Related to each and every phase in the process are five typical examples of foresight and/or service design methods. In each of the phases, the methods have a different role. The application of methods is situational, highly context-driven and dependent on the resources available (Saco and Goncalves, 2010). An insightful combination of different methods and tools can create visionary foresight and unique new ideas for service innovation.

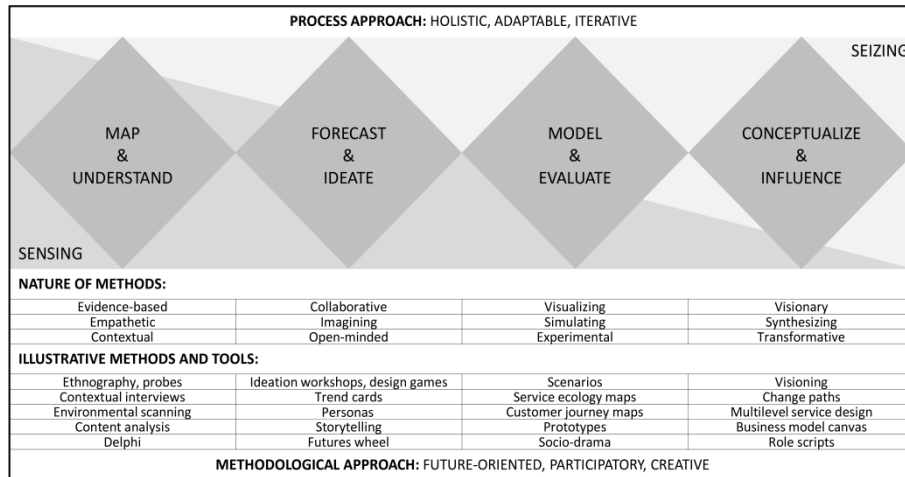


Figure 1. Service innovation process grounded on service design and foresight (Ojasalo et al., 2015)

Anticipating future changes in business environments and understanding customers' needs and desires in their contexts are extremely essential in service design (Ojasalo et al., 2015). The methods of service design bring empathy to allow deep understanding of customers' and other stakeholders' perspectives (Polaine, Lovlie and Reason, 2013). The findings from the mapping and understanding phase inspire ideation and forecasting alternative futures. Open-minded collaboration and co-designing with different stakeholders through forming heterogeneous teams is essential in providing divergent thinking for innovation (Brown, 2009). Modelling a new service shifts the service design process from sensing to seizing new opportunities. The intangible nature of customer experience and uncertain nature of the future require narrative and visual means to communicate and test the new service and to concretize the customer experience. Service design and foresight create, for example, highly visual and anticipatory stories by means of scenarios, prototypes and preliminary concepts. Modelling new service offerings early helps in assessing their true value for the customer and for the company before a lot of resources are used for actual implementation. One popular and useful tool for conceptualizing a new service and communicating it with stakeholders is Osterwalder and Pigneur's (2010) business model canvas (BMC). Next, the business model literature and the BMC are briefly discussed.

DESIGNING BUSINESS MODELS

A large number of studies dealing with business models can be found in the literature (e.g. Betz, 2002; Chesbrough and Rosenbloom, 2002; Magretta, 2002; Hedman and Kalling, 2003; Osterwalder, 2004; Shafer, Smith and Linder, 2005; Tikkanen et al., 2005; Voelpel et al., 2005; Giesen et al., 2007; Zott and Amit, 2007, 2008; Johnson, Christensen and Kagermann, 2008; Al-Debei and Avison, 2010; Nenonen and Storbacka, 2010; Smedlund, 2012; Maglio and Spohrer, 2013; Lüftenegger, 2014; Kindström and Kowalkowski, 2014). The role of a business model is to capture, visualize, understand and communicate the business logic (Osterwalder, 2004). The interest in researching business models started to grow in the latter

half of the 1990s. In addition to the transaction cost economics, Amit and Zott (2001) anchor the theoretical foundations of business model research in Porter's value chain framework, in Schumpeter's theory of innovation and in the resource-based view of the firm. Osterwalder, Pigneur and Tucci (2005) identify the roots of academic discussions on the business model concept as being mainly in transaction cost economics. According to Chesbrough (2007), a business model has the following functions. It articulates the value proposition and explains the value created for customers by the offering. It identifies the market segments and puts forward to whom the offering is useful and for what purpose. It defines the structure of the value chain required by the company to create and distribute the offering, and it determines the complementary assets needed to support the company's position in this chain. Moreover, it specifies the revenue generation mechanism for the company, and it estimates the cost structure and profit potential in producing the offering, given the value proposition and value chain structure chosen.

The business model concept has enormous practical power (Magretta, 2002), and it offers managers a coherent way to consider their options in uncertain, fast-moving and unpredictable environments (McGrath, 2010). To be useful, a business model framework must be reasonably simple, logical, measurable, comprehensive, and operationally meaningful (see Osterwalder, 2005).

Next, Osterwalder and Pigneur's (2010) business model canvas (BMC) is described in more detail, as it functioned as the starting point for the empirical work conducted in our study. The BMC consists of nine building blocks that are presented on a one-page canvas template. The three blocks on the left side of the canvas are associated to internal processes and efficiency: key resources, key activities, and key partnerships. The three blocks on the right side of the canvas are associated with customers and value: customer segments, channels, and customer relationships. The value proposition is at the centre, and the cost and revenue structures are presented at the bottom of the canvas template.

Business Model Canvas

In the business model canvas, *Customer segments* refer to those different groups of people or organizations the company aims to reach and serve. *Channels* describe how the company communicates with and reaches its customer segments. *Customer relationships* define the types of relationships the company establishes with the targeted customer segments. *Value proposition* describes the bundle of products and services that creates value for a specific customer segment. A value proposition may include characteristics such as newness, performance, customization, "getting the job done", design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability. *Revenue stream* represents the cash the company generates from each segment. *Key resources* are the most important assets required to make the business model work. *Key activities* describe what the company must do to make the business model work, such as production, problem solving, platform and networking activities. *Key partnerships* constitute the network of suppliers and partners that makes the business model work. Partnerships may be strategic alliances between non-

competitors as well as competitors (coopetition), joint ventures to develop new business, or buyer-supplier relationships. *Cost structure* describes all costs incurred to operate the business model (Osterwalder and Pigneur, 2010). To sum up, the business logic behind this business model framework is seemingly close to GDL (see also Viljakainen et al., 2013). Thus, there seems to be a clear need to modify the framework to be more evidently based on the service logic.

METHODOLOGY OF DEVELOPING THE SERVICE LOGIC BUSINESS MODEL CANVAS

The research methodology of this empirical study is based on interactive research (Gummesson, 2001) and the constructive method (Kasanen, Lukka and Siitonen, 1993). According to Gummesson (2001:38-41), *interactive research* is based on interaction and communication with chosen relevant audiences. It ties together the process of knowing, the knower, and the known. This approach is based on various kind of interactions, such as interaction between the researcher and the object of study and its actors; between one's consciousness and qualities of one's inner self; between substantive data and general concepts; between the parts and the whole; between words, numbers, body language and tacit language; and concurrent, non-linear and dynamic interaction between data collection, analysis, interpretation and conclusions. In interactive research, theory generation and theory testing are inseparable twins, not isolated consecutive stages. The researcher goes from pre-understanding to understanding, to a new level of understanding, and so on, and from substantive, specific data to concepts that serve as vehicles for reaching more general theory levels. This approach is governed by a humanist, hermeneutic and phenomenological paradigm, although elements from a quantitative and positivistic paradigm may be included (Gummesson, 2001).

The constructive method refers to a research procedure that aims at solving managerial problems in business organizations through the construction of models, diagrams and plans (Kasanen et al., 1993). An important characteristic of a construction is that its usability can be demonstrated through the implementation of the solution. Thus, not all problem-solving and model-building exercises are constructive research. For example, analytic model building can produce elegant solutions to problems, which work in principle, but whose actual practical adequacy remains unclear (Oyegoke, 2001). Kasanen et al. (1993) argue that a construction which works is relevant, simple and easy to use. An essential part of the constructive approach is to tie the problem and its solution with accumulated theoretical knowledge. In addition, the novelty and the actual working of the solution have to be demonstrated. The construction should include new knowledge both to business and to academia. The construction of a solution to a problem should be practical relevance, theory connection, practical functioning, and theoretical contribution. According to Oyegoke (2001), the constructive approach encourages co-production of knowledge between the industry practitioner and the researcher. According to Kasanen et al. (1993), the research process using the constructive approach includes the following phases, which may vary in order from

case to case: (1) finding a practically relevant problem that also has research potential, (2) obtaining a general and comprehensive understanding of the topic, (3) innovating, i.e. constructing a solution idea, (4) demonstrating that the solution works, (5) showing theoretical connections and the theoretical contribution of the solution concept, and (6) examining the scope and applicability of the solution.

The phases of the research process employed to develop the new are shown in detail in Table 1. The study is based on the interactive research approach (Gummesson, 2001) where the empirical data is generated in interaction with researchers and practitioners. The research is affected by the researchers' pre-understanding. The process is a continuous interplay between data from interaction, existing theories from the literature, and researchers' interpretation. A new theory is developed as a result of these interwoven elements.

The initiation of the research process took place in an invitation-based expert panel (Step 1), where twelve service researchers concluded that one of the most widely-spread business model frameworks, i.e. Osterwalder and Pigneur's (2010) business model canvas (BMC), requires further development, particularly towards the principles of service logic. Most importantly, the researchers realized that the BMC is based on traditional provider-centred value-chain thinking, where value is created inside a company through its activities and resources and then delivered to customers. Also the terminology of BMC reflects goods-dominant logic, for example the Channels block of the BMC describes how "value propositions are delivered to customers through communication, distribution, and sales channels" (Osterwalder and Pigneur, 2010:16). The BMC does not see customers as value creators, and it does not suggest how service could be embedded in customer's contexts, activities and experiences (cf. Heinonen et al., 2010).

The research process took 14 months and consisted of 11 steps (see Table 1). The interaction in which data were generated and understanding increased consisted of nine interactive workshops in which data from pre-understanding, interaction, interpretation, increased understanding, and existing theories were interwoven together.

Table 1. The research process

Step	Interaction of the research process	Outcome	Actors	Phase of the constructive research method
1	Discovering the knowledge gap and need for research (11 Oct 2012, 2 hours)	Appointed ideation workshop	12 researchers	(1) Finding a practically relevant problem that also has research potential.
2	Interactive ideation, brainstorming and development workshop (16 Jan 2013, 4 hrs)	Initial ideas, Canvas version 0.1	15 researchers	(2) Obtaining a general and comprehensive understanding of the topic. (3) Innovating, i.e. constructing a solution idea.
3	Interactive ideation, brainstorming and development workshop (5 Mar 2013, 4 hrs)	Canvas version 0.2	15 researchers	
4	Interactive ideation, brainstorming and development workshop (29 Apr 2013, 3 hrs)	Canvas version 0.3	13 researchers	
5	Interactive ideation, brainstorming	Canvas	9 researchers	

	and development workshop (30 Aug 2013, 4 hrs)	version 0.4	and 1 practitioner	
6	Interactive ideation, brainstorming and development workshop (15 Sep 2013, 3 hrs)	Canvas version 0.5	6 researchers	
7	Rapid test (“lean launch”) and further development of the service logic based business model canvas in 5 company cases (8 Nov 2013, 5 hrs)	Canvas version 0.6	1 researcher and 22 practitioners B	(4) Demonstrating that the solution works. (6) Examining the scope and applicability of the solution. (3) Innovating a solution idea.
8	Assignment given to 24 practitioners to test the SL-based business model canvas in their organizations (9 Nov 2013, 2 hrs)		1 researcher and 24 practitioners B	(4) Demonstrating that the solution works. (6) Examining the scope and applicability of the solution.
9	Interactive ideation, brainstorming, and development workshop (20 Nov, 2013, 3 hrs)	Ideas for further development	6 researchers and 40 practitioners A	(3) Innovating a solution idea. (6) Examining the scope and applicability of the solution.
10	Results and reflections from the 24 test cases of SL-based business model canvas (14 Dec 2013, 4 hrs)	Ideas for further development	1 researcher and 24 practitioners B	(4) Demonstrating that solution works. (6) Examining the scope and applicability of the solution.
11	Further development of the canvas in interaction between 2 researchers, based on analysis of the data and understanding accumulated in the research process. Writing of research report (30 Sep 2013 – 28 Feb 2014)	Service Logic Business Model Canvas	2 researchers	(3) Innovating a solution idea. (2) Obtaining a general and comprehensive understanding of the topic. (5) Showing theoretical connections and the research contribution of the solution concept.

The research process was conducted in Finland within the Finnish Service Alliance association¹. The first author of this chapter planned the workshops, worked as a workshop facilitator and documented the insights generated from them. The insights were documented by writing notes during and after each workshop, by collecting all the raw material produced by the participants during the workshops (notes, writings, and drawings made by the participants), by taking photographs, and by recording the most important parts of the workshops. After each workshop, the BMC was further developed based on the data and the increased understanding generated in the interactive workshops. The workshop participants were researchers and practitioners. In this case, the researchers included academic researchers from seven universities and other research-related organizations. They were professors, senior researchers, doctoral students and coordinators of large national research programs. “Practitioners” refers to representatives of companies and other organizations (group A). Included in the group “practitioners” were also master-level adult students who conducted their studies alongside their full-time job in companies and other organizations (group B). Altogether 18 researchers were involved in this process, and 86 practitioners participated in the process (40 from group A and 46 from group B). Thus, altogether 104 persons were involved in the research process. The data were qualitative in nature, and its subjective interpretation took place during and after the interactive workshops, both individually and

¹ The authors want to thank the following persons for their valuable contribution during the research process: Mari Ainasoja, Leena Alakoski, Jaana Auramo, Taru Hakala, Anu Helkkula, Henri Hietanen, Marko Kohtamäki, Heidi Korhonen, Lasse Mitronen, Marko Mäkipää, Iiro Salkari, Tiina Tanninen-Ahonen, Marja Toivonen, Ismo Turunen, Stephen L. Vargo, Anna Viljakainen.

collectively. In general, the emphasis shifted from the theoretical thinking and model development towards the practical model development and testing. The participants of the first workshops were mostly researchers (Steps 1-6), while the participants of the later workshops were mostly practitioners (Steps 7-10). The research process is still going on while this chapter is being written: the later phases that are not shown in Table 1 focus on the application of the developed Service Logic Business Model Canvas.

The aim, in line with the constructive research method (Kasanen et al., 1993), was to develop a construction that solves problems that emerge in running business organizations. The construction in the current research is a revised version of Osterwalder and Pigneur's (2010) business model canvas. The modifications aim at increasing the service logic orientation of the original BMC tool. The present study included all six phases of the constructive research process suggested by Kasanen et al. (1993). During the process, the problem and its solution were tied to accumulated theoretical knowledge. In addition, the novelty and the actual working of the solution were demonstrated.

RESULTS

This section describes the business model framework that resulted from the empirical interactive research process. The result is a modified version of Osterwalder and Pigneur's (2010) BMC, which takes into account the principles of service logic. Here, the service logic orientation covers the basic principles of the SDL, service logic and CDL. Since a business model describes how an organization creates and captures value (Osterwalder and Pigneur, 2010), and its purpose is to depict the managerial opportunities for the focal company to influence value creation (cf. Nenonen and Storbacka, 2010; Zott and Amit, 2010), we argue that the framework cannot be solely based on the customer perspective and CDL. Consequently, our redesigned business model framework takes into account both the service provider's and the customer's perspective.

The modified business model framework is called *Service Logic Business Model Canvas* (Figure 2). In the interactive research process, each building block of the canvas was addressed separately as well as the canvas as a whole. The canvas was developed step-by-step, and the Service Logic BMC presented here (Figure 2) is the 7th revised version developed during the research process (see Table 1). In the beginning of the process, the most evident development needs of the BMC were ideated: how to highlight the customer's active role and add the notion of the customer as a value creator and the company supporting that value creation (cf. Grönroos, 2008; Heinonen et al., 2010). Gradually, the new framework progressed to its current form. In the first phases of the research process, the terminology used in the revised versions was very academic and expressed on a highly abstract level, but after the company representatives got involved, the terminology was refined into being more of a "business language".

Service Logic Business Model Canvas

The present framework, the Service Logic Business Model Canvas, is composed of nine building blocks, like the original BMC. During the research process, a need to break the structure of the original BMC by placing the blocks in a contrary order (moving original “customer blocks” to the left side of the canvas), or even by designing a totally new kind of circular template, was discussed in several workshops. However, since the original BMC is widely used, we decided to stick to the original structure and redesign each block to be more service logic oriented, instead of redesigning the whole structure of the canvas. In this way, it is also easier for companies to compare the two canvases, i.e. the original and the modified one, and easier to understand the difference between traditional business thinking and service logic based thinking.

Key Partners From our point of view: • Who are our key partners? • What are the roles of our partners? • What resources do we need from our partners? • How do the partners benefit from the cooperation? From customer point of view: • How does the customer experience our partners? • What kind of partnerships does the customer have and how should they be taken into account? 7	Key Resources From our point of view: • What skills and knowledge do we need? • What other material and immaterial resources and tools are required? From customer point of view: • What skills and knowledge is required from the customer’s side? • What other customer’s material and immaterial resources and tools are required? 6 Mobilizing Resources and Partners From our point of view: • How do we coordinate multi-party value creation? • How do we utilize and develop partners and resources? From customer point of view: • How can the customer utilize and develop partners and resources? 8	Value Proposition From our point of view: • What value are we selling? • What are the elements of our offering? • What is unique in our offering? From customer point of view: • What value is the customer buying? • What are the elements of the customer needing? • Which of the customer’s challenges and problems need to be solved? 2	Value Creation From our point of view: • How is our offering embedded in the customer’s world? • How can we facilitate the customer to reach their goals? From customer point of view: • How does the value emerge in customer’s practices (also from mental and emotional experiences)? • How are customer’s long-term benefits accomplished? 3 Interaction and co-production From our point of view: • How can we support customer co-production and interaction between us and the customer? From customer point of view: • What are customer’s activities during the use and different use contexts? • What are the customer’s mental models of interacting with us? 4	Customer’s World and Desire for Ideal Value From our point of view: • How do we get a deep insight and holistic understanding of the customer’s world (context, activities, practices, experiences), their future strategies, and their own customers’ world? From customer point of view: • Why does the customer buy? • What kind of benefits does the customer desire? • Functional • Economic • Emotional • Social • Ethical • Symbolic • If there were no limits, what would be the customer's desire for the ideal situation and world? 1
Cost Structure From our point of view: • What are the costs inherent in our business model? • What are our other sacrifices? From customer point of view: • What costs and other sacrifices are required from the customer? 9		Revenue Streams and Metrics From our point of view: • What is our earnings logic and how is our financial feedback generated? • How can we apply customer value-based pricing? • What else valuable do we get other than money? • What are the key performance metrics of our business success? From customer point of view: • For which benefits is the customer actually willing to pay and how? • What is the financial value to the customer? • What are the key performance indicators of the customer’s business and how are we following them? 5		

Figure 2. The Service Logic Business Model Canvas

In each block of the canvas, both the provider viewpoint (“From our point of view”) and the customer viewpoint (“From a customer point of view”) must be considered. The customer viewpoint was added to make companies analyse their business from the perspective of customers’ activities, practices and experiences. In the original business model canvas, the guiding questions in each block made companies consider their business only from their own point of view. Thus, the present framework is more in line with Heinonen et al. (2010:535), who argue that “customer’s understanding of service use is different from the service provider’s understanding of it”. Also the study by Strandvik et al. (2012) clearly shows that customers’ and suppliers’ views are likely to differ significantly (see also Allen et al., 2005). One of the obvious reasons for the conflicting viewpoints might be that many issues related to value-in-use are often invisible to the company, whereas value emerges in the customers’ everyday (business) processes (see Heinonen et al., 2010). Thus, all the elements of a business model should be carefully analyzed from both the company’s and the customer’s viewpoints and be based on genuine customer insight.

The first block (1) to be considered is called “*Customer’s World and Desire for Ideal Value*” (see Figure 2). This is the block where the customer-dominant thinking becomes most evident. This block goes beyond the actual business that the business model is describing, and here the customer’s life is analyzed in depth. Before moving to the value proposition and other blocks of a business model, it is very important to get a deep insight and holistic understanding of the customer’s world: context, activities, practices and experiences (cf. Heinonen et al., 2010). In this block, the customer’s explicit and latent reasons for buying and the benefits that the customer desires are analyzed. Latent customer needs are those that generate fuzzy and implicit expectations, which may be an opportunity or a pitfall for customer experience, depending on how they are managed (Ojasalo, 2001). In addition to functional and economic benefits, customers may also value emotional, social, ethical, environmental and symbolic aspects (cf. Nordin and Kowalkowski, 2010). Additionally, it is also essential to analyze the customer’s own customers’ worlds.

The second block (2) of the canvas is “*Value proposition*”. According to Grönroos and Ravald (2011:14), “Value propositions are suggestions and projections of what impact on their practices customers can expect” from the proposition. This block should be based on the customer insight described in Block 1. The “Value proposition” highlights the importance of capturing what the customer really buys when the supplier sells their offering. The company’s offering should correspond with customer needing, i.e. with the customer’s mental model of what the customer intends to get and achieve with the offering (cf. Strandvik et al., 2012).

The third block (3) is renamed “*Value creation*”. This was one of the most difficult blocks to redesign because of its abstract nature. Based on all the workshop discussions and tests in companies, this block focuses on what customers are doing with the value proposition to reach their goals. This block reflects how the company’s world is related to the customer’s world, and how the service becomes embedded in the customer’s context, activities, practices, and experiences (cf. Heinonen et al., 2010). Here, the company analyzes the possibilities to facilitate customers’ value creation and how they can help customers reach

their goals. From the customer's point of view, it is important to analyze how value emerges in customer's practices (also from mental and emotional experiences) and how the customer gets the long-term benefits (Ojasalo, 2000) through their own activities.

The fourth block (4), "*Interaction and co-production*", focuses on the customer's participation in the company's activities and utilization of its resources. Here, the key questions relate to how to facilitate the interaction between the company and the customer (cf. Grönroos, 2006) and what the customer's mental models of interacting with the company are. In addition, customers' activities and their different use contexts are analyzed here (cf. Heinonen et al., 2010).

In the fifth block (5), "*Revenue Streams and Metrics*", the company's earnings logic, financial feedback (profits, market share, cash flow, etc.) and other benefits (customer, brand, network equity, etc.) are described. This block also focuses on analyzing for which benefit(s) the customer is willing to pay. The price is here linked to customer value rather than costs involved in providing the service (cf. Storbacka and Pennanen, 2014). This block also shows the key performance indicators that verify the provider and customer value created.

The sixth block (6), "*Key Resources*", focuses on operant resources, i.e. the dynamic, often intangible resources that act upon other resources (cf. Vargo and Lusch, 2004). Thus, the core competences as key resources are highlighted. In service logic, the customer is an important operant resource, and consequently the customer's knowledge and skills should be analyzed.

The seventh block (7) represents the "*Key Partners*". Although a business model cannot be developed without taking into account the holistic environment and all the systems a company is involved in, the aim of this study is to redesign a construct that is simple and easy to use in practice. For this reason, this block analyzes only those partners beyond a company-customer relationship that are directly required in value creation, typically suppliers and other network partners. Here, roles related to value creation, the resources needed and the benefits generated are analyzed.

The eighth block (8) is renamed "*Mobilizing Resources and Partners*". This block focuses on the utilization and development aspects of resources and partners and indicates how knowledge and skills are generated by all the participants. This block highlights the integration of resources, which is a central activity of all stakeholders involved in service relationships (cf. Vargo and Lusch, 2008).

In the ninth block (9), the focus shifts to the "*Cost Structure*". In addition to analyzing the company's costs and other sacrifices inherent in the business model, the costs and other sacrifices induced for the customer are analyzed. It is important for companies to carefully analyze their cost structure since cutting certain costs may have a direct negative impact on customer value (cf. Grönroos and Ojasalo, 2004).

Even though the new canvas recommends the order in which the elements of the canvas could be developed, it is clear that the order may well be different, depending on the case. Also, it should be noted that the process is never straightforward, but rather iterative. This

means that the development of each block cannot happen in isolation from the development of others. The interconnections and cross-effects of different elements should be taken into account. In addition, and as the business environment changes, the dynamics of the business model should be managed, meaning that it requires continuous updating and renewal.

The present framework is meant to be applied individually to each customer profile, which represents a customer group with similar logics. This makes it possible to focus on each customer profile's specific contexts at a time. As mentioned earlier, the development and/or analysis of a business model is not a linear and straightforward process, but instead it is iterative, and new ideas are likely to emerge. Indeed, a separate business model (or sub-model) with all its elements should be designed to fit each customer profile. However, the present framework is not applied in isolation from the models for other profiles. There may be strong interconnections between the profiles' specific business models. Such links between the business models (or sub-models) may be numerous and very different in nature. Consequently, the development of one model affects the development of another.

Based on the testing phase of this study, the Service Logic Business Model Canvas functions best if it is integrated in a service design process. To fill in the various blocks of the canvas requires first a deep customer insight. The holistic insight can be generated by using user-centred, emphatic and participatory methods of service design. Based on in-depth customer knowledge, customer profiles (personas) and customer journeys (customer's activities) can be designed and drawn, and these profiles and journeys can be very useful when developing the business model. The testing phase also showed that using design games can be a productive way to integrate various stakeholders to generate helpful ideas for filling in the Service Logic Business Model Canvas. Next, the process of using the modified canvas tool is discussed.

The process of using the Service Logic Business Model Canvas

Preliminary findings related to the application of the Service Logic Business Model Canvas show that not only the canvas as an outcome has to be modified, but the process of how to design a business model also needs to be changed. It needs to be more customer-centred, and various service design (and foresight) methods should be used for information gathering, ideation, and development work required for designing a business model. The model of the service innovation process grounded on service design and foresight (Figure 1) includes a selection of essential tools. In brief, the process of applying the Service Logic Business Model Canvas to a business can include three main phases (see Figure 3):

1. A light application version of the Service Logic Business Model Canvas.
2. Applying service design tools.
3. The full application version of the Service Logic Business Model Canvas for targeted customer profiles.

The light application version of the Service Logic Business Model Canvas follows the idea of "rapid prototyping" or "lean business development" (cf. Blank, 2013; Maurya, 2012). The canvas is used quickly (for example in a half-day workshop with the development team) for

tentative idea development and testing. This also helps in mapping the service design tools required in the next phase. Doing the light version exercise also helps in planning the service innovation process. It helps in mapping and deciding on what service design tools should be used in the process and how much time and other resources are needed. In general, the light version helps in planning the whole innovation project and also makes the development team aware of what kind of outcomes are expected at the end of the process. In brief, the light application can be used in the early stage of the innovation process, or when there is no time or resources to apply the full version. SMEs and start-up companies that do not have much resources or developed networks may find it particularly useful to apply the light Service Logic Business Model Canvas version.

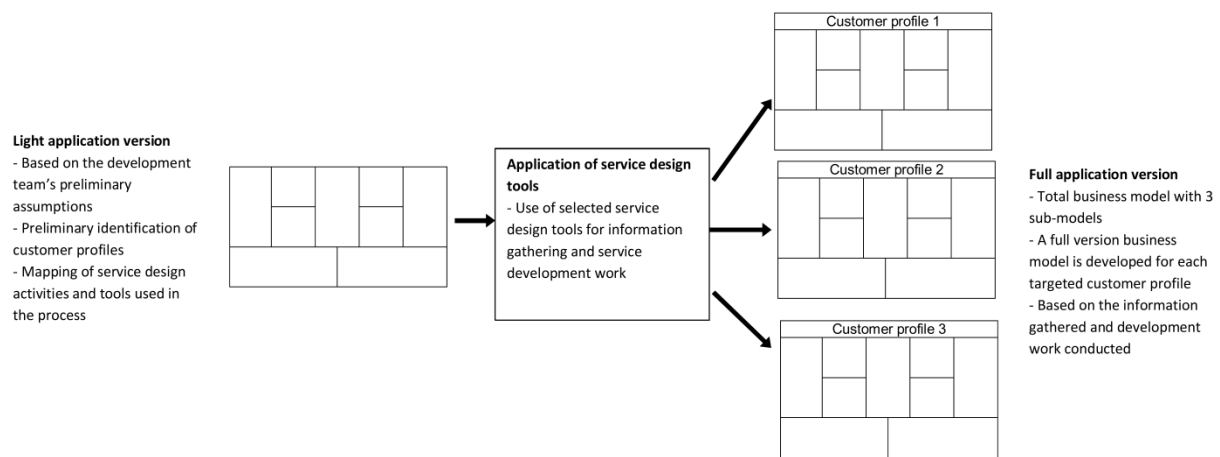


Figure 3. The process of using the Service Logic Business Model Canvas

The application of service design tools includes the selection and use of relevant service design methods. This phase includes acquiring a deep customer insight. The main purpose is to understand the customer's world and what represents value to the customer, and how the provider company can most effectively facilitate the customer's value creation. Several selected co-creative and customer-involving service design tools can be used in this phase (see Table 2). The full application version of Service Logic Business Model Canvas for each of the targeted customer profiles consolidate all the relevant customer information and results of the development work throughout the process and offer a solid business model description. Service logic thinking, a deep understanding of customer needs, value, and experience, and facilitation of customer's value creation are rooted in each of the profile-specific sub-models.

Table 2 gives a tentative suggestion on which service design tools may be useful for information gathering and development work related to each block of the Service Logic Business Model Canvas. It should be noted that in addition to the commonly used tools referred to in Table 2, there are many other tools available (e.g. Curedale, 2013).

Table 2. Service Design Methods for the Service Logic Business Model Canvas

Blocks of Service Logic Business Model Canvas Examples of Service Design and Foresight Tools	① Customer's World and Desire for Ideal Value	② Value Proposition	③ Value Creation	④ Interaction and co-production	⑤ Revenue Streams and Metrics	⑥ Key Resources	⑦ Key Partners	⑧ Mobilizing Resources	⑨ Cost Structure
Ethnography, probes	●	●	●	●	●	●	●	●	●
Contextual interviews	●	●	●	●	●	●	●	●	●
Environmental scanning	●	●					●		
Content analysis	●	●							
Delphi	●	●							
Ideation workshops, design games	●	●	●	●	●	●	●	●	●
Trend cards	●	●	●						
Personas	●	●	●	●					
Storytelling	●	●	●	●					
Futures wheel	●	●						●	
Scenarios	●	●	●	●	●	●	●	●	●
Service ecology maps							●	●	
Customer journey maps			●	●	●	●	●		●
Prototypes		●	●	●					
Socio-drama				●		●	●	●	
Visioning		●	●		●			●	
Change paths								●	
Multilevel service design (incl. service blueprint)				●	●	●	●	●	●
Role scripts				●		●	●	●	

The effective application of the Service Logic Business Model Canvas requires plenty of information and development work. The information gathering and development work is done with various case-specific service design methods. A separate business model (or sub-model) with all its elements is designed to each customer profile. The Service Logic Business Model Canvas functions as a guiding framework and finally consolidates all the information generated and development work done during the innovation process (Figure 3).

CONCLUSIONS AND CONTRIBUTIONS

The theoretical contribution of this study stems from adapting business model thinking to service logic. Most importantly, this study increases knowledge on how to implement service logic in practice. This study has developed and tested a tool that seems fruitful for both academic research and for companies interested in enhancing their business with the service logic. The modified business model framework considers both the provider's and the customer's viewpoints. Indeed, it is difficult to find any study or business model framework that explicitly addresses both the provider and the customer viewpoints in each element of the business model. This study is in line with Edvardsson and Tronvoll (2013), who have introduced a new conceptualization of service innovation grounded in SDL and service

systems. They propose that service innovation is always actor-centric and practice-related in a specific system context, and that service innovation must be studied in practice because value is always co-created and assessed in context and over time. This supports the present findings and attempt to develop a framework that guides the development of business models in the direction of context-specific and customer-involving co-creative methods. Edvardsson and Tronvoll (2013; see also Edvardsson, Tronvoll and Gruber, 2011) point out the importance of understanding the social context in which innovation takes place, the service system, social structures, resources, and the actors' abilities to acquire, integrate and use the available structures in the social context. The various service design methods as well as the proposed Service Logic Business Model Canvas offer practical tools for this purpose.

This study also provides a managerial contribution. The developed canvas functions both as a rapid prototype of a new business model and as a communication tool that quickly illustrates the company's current business model. If used in workshops with various manager and employee groups of the company, the new canvas can also function as a tool for creating a more customer-centred business culture. It makes people put the customer in the centre of all the elements of a business model. The modified canvas tool highlights the importance of deep customer insight, and it is designed to be applied to each customer profile separately. By using the framework individually to each relevant customer profile, it is possible to have a deeper understanding of the customer logic of each profile.

The most significant managerial implication of the present research responds to what Allen et al. (2005, 2006) call the "delivery gap". In a survey of 362 companies, they found that 80% believed they delivered "superior experience" to their customers, and more than 95% of management teams claimed to be customer-focused. But when asked the same from their customers, the answer was that only 8% of the companies were really delivering a superior experience. This 8% of the companies were called "achievers", while the rest were labelled "believers". The survey covered a cross-section of industries weighted to represent the FT Global 500. The survey further revealed that only 50% of management teams tailor their products and services to the needs of customers, only 30% organize the functions of their company to deliver superior customer experiences, and only 30% maintain effective customer feedback loops. Furthermore, the survey found that most large companies were capable of using traditional market research, segmentation and product design tools, but still fail to connect between what they learn about customers and what they offer them. Companies lack the processes to ensure that market research includes real customer interaction, which would lead to insight on the essential question: "What do our most important customers really want?" Additionally, companies fail to make sure their organization understands for whom each proposition is offered (Allen et al., 2005, 2006). Clearly, while most companies say they are customer-oriented, few of them truly are.

Thus, there is a clear need for managerial approaches that actually help companies develop business models and offerings based on a deep understanding of customers' needs and their worlds. The Service Logic Business Model Canvas responds to this need. The present framework makes its users systematically consider the customer viewpoint and the customer's world in each element of the business model and throughout the development

process towards service logic. Most business model frameworks address customer needs and value as one of the elements addressed. In comparison, the present framework shifts customers' needs, value and worlds into the centre of the business. In addition, it relates the customer viewpoint to the provider's viewpoint, thus enabling the development of a realistic business model that can be implemented. The testing of the developed tool in real company settings shows that the Service Logic Business Model Canvas is a relevant, easy and simple tool that can help companies implement the contemporary business logics focusing on customer value-creation.

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SMALL FIRMS – BORN SERVICE LOGICIANS?

Annika Raval and Peter Björk

This chapter explores service logic as practiced in small firms, focusing on the facilitation of customers' processes of value creation, provider-customer interactions and reciprocity as the three pillars of service logic. Previous research on small business marketing has depicted its uniqueness (being different from marketing in large companies) and it therefore constitutes an interesting empirical context. In the empirical study we searched for the theories-in-use that guide the owner/managers of small firms in how they handle customer relationships and found that some of the case firms could even be labelled "born service logicians". The future of the small firm business relies on the ability to serve the customers, and by principles such as creating consonance in the relationship, caring for the customers, widening the interface with the customers and practicing mindfulness in every interaction, small firms aim to align their own processes with those of their customers. The notion of learning was found to be the common denominator that permeates all three SL pillars, linked either directly or indirectly to the corresponding principles. Service logic practiced in small firms has indeed its own character and the lessons to be learned from here can be considered as a venue that adds to our understanding of service as business logic.

INTRODUCTION

Service logic has been discussed by several scholars over a period of decades (Shostack, 1977; Grönroos, 1979; Normann, 1983; Kingman-Brundage, George and Bowen, 1995; Grönroos, 2011), and in contemporary marketing discourse it is considered as a business logic that significantly strengthens a firm's competitive advantage (Polese, Russo and Carrubbo, 2009). Service logic can briefly be described as an approach to marketing whereby the service provider should aim to facilitate the customer's process of value creation (Kingman-Brundage et al., 1995; Grönroos, 2011), value creation here being defined as the creation of value in use by the customer (Grönroos and Voima, 2013). The facilitation of the customer processes of value creation is accordingly perhaps the most evident cornerstone or service logic pillars. Another important pillar in the service logic paradigm is the notion of reciprocity in terms of outcomes, in that the provider-customer interaction should result in a win-win situation for both actors (Gummesson, 2002). From the provider's perspective, a service logic approach thus involves not only the alignment of the processes of the provider with the processes of the customer throughout the relationship (Grönroos, 2011), but also a strategic assessment of how this pursuit concludes in reciprocal value creation (Grönroos and Helle, 2010). The service logic furthermore stresses the role of interactions, in that these serve as platforms for the co-creation of value from which both actors should benefit (Grönroos and Raval, 2011). In provider-customer interactions, the provider gets the opportunity to actively engage in the customers processes and influence the outcomes of these. By making significant contributions to the customer's process of value creation, the provider adds depth and strength to the relationship, which in turn benefits the provider. We

thus consider the notion of interactions as a source for mutually sustainable and profitable customer relationships as the third pillar in the service logic paradigm.

Hitherto, the research on service logic (Grönroos, 2008) has predominantly been conceptual, providing little evidence of or advice on how service as business logic is or could be practiced in the everyday activities of companies (Gummesson, Lusch and Vargo, 2010). The amount of empirical research on how service logic unfolds into practice in different marketing contexts is especially modest. This implies that our present understanding of how service logic is carried out in everyday marketing practice would benefit from empirical investigation in contexts in which more non-traditional approaches to marketing have been evidenced.

Previous research has reported that small firms are to a great extent customer driven and that their ability to align their processes with those of their customers is of strategic importance for the survival of their business (Wägar et al., 2007). Small firms could thereby constitute an interesting area for empirical research on service logic. Small firms, of which a lion's share are micro firms with fewer than ten employees (Commission Recommendation 2003/361/EC; Schmiemann, 2006), constitute the ultimate basis of all economies since they provide employment and economic growth (see Bjerke and Hultman, 2002). Still, small firm business is a research field that is relatively overlooked in contemporary marketing research (Hill, 2001; Morris, Schindehutte and LaForge, 2002; Berthon, Ewing and Napoli, 2008; Gabrielli and Balboni, 2010). What distinguishes marketing in small firms from marketing in large firms is firstly, that the marketing practices in small firms are deeply embedded in the context of the firm; secondly, the marketing practices are influenced by and adapted to the characteristics of the owner-manager; and, finally, they are inseparable from other activities and the firm life cycle, and above all, constrained by limited resources (cf. Carson and Cromie, 1990; Carson and Gilmore, 2000; Romano and Ratnatunga, 1995). Traditional approaches to managing marketing issues and challenges, for instance the marketing mix model with its emphasis on mass communication activities, might therefore be inappropriate or unrealizable. Moreover, small firms are today part of a competitive landscape that is characterized by change, complexity, chaos and contradiction (McCartan-Quinn and Carson, 2003; Morris et al., 2002), which makes marketing in small firms even more crucial and complex to handle. Previous studies have revealed that small firms practise marketing in a creative manner by challenging the dominant business and industry logics (Bettiol, Di Maria and Finotto, 2011), that they are customer driven (Wägar et al., 2007; Chowdhury, 2011) and that their responsiveness and ability to adapt vis-à-vis the environment permeate the strategic agenda (Sashittal and Jassawalla, 2001). Small firm marketing can therefore be considered to be a most interesting empirical domain in order to unfurl the underlying dimensions of the service logic concepts and to gain a better understanding of how this logic can be enacted in firms.

The purpose of this chapter is to introduce an empirically grounded framework that illustrates the underlying dimensions of service logic in a small firm marketing context, thereby providing a better understanding of how service logic could be implemented in various types of firms. Service logic thus provides the theoretical context to which we intend to make a

contribution and we will focus on facilitation of customer processes, interactions and reciprocity as we consider these as the cornerstones or pillars that manifest the core idea of the service logic approach.

APPROACH AND METHODOLOGY

Our ambition is to spice the extant research on service logic with empirically grounded insights from the small firm marketing context. Small firm marketing constitutes the empirical context and theory-in-use is the methodological approach applied. The theory-in-use approach, developed by Zaltman, LeMasters and Heffring (1982) and Heffring (1985), was deemed suitable for this study, being more inferential, interactive and inductive than other theory development approaches. This research approach and the methodology of the study are presented next.

The theory-in-use approach

The purpose of the theory-in-use (TIU) approach is to identify the principles guiding individuals in different situations and contexts, in this case the principles guiding the marketing efforts of owner-managers of small firms. TIU, which by tradition is a concept associated with theories of organizational learning (Argyris and Schön, 1996), was applied to the marketing context by Zaltman et al. (1982) and Heffring (1985). Heffring (1985:108) described TIU as a “personal map that managers develop of their marketing environment which guides and provides them with a basis for making marketing decisions, both successful and unsuccessful”. Zaltman et al. (1982:127) considered the TIU approach as an interactive and inductive research approach that aims for theory development. The TIU approach rests on case study methodology and grounded theory as developed by Glaser and Strauss (1967). The connection to case studies can be found in the manner in which the theory builder, i.e. the researcher, collects data from single subjects. The link to grounded theory can be found in the way in which the researcher builds a theory that is obtained from sound research and the emerging empirical data. Gummesson’s (2005) interactive research and the research approach of this study share common ground. Interactive research rests on two main premises: close access to reality and valid results. Researcher involvement is a key feature of interactive research, as it is the only way of reaching a holistic, rich understanding of the phenomenon under study. The same lines of reasoning permeate the research project, providing the empirical data used for this study.

The value of applying a TIU approach is threefold. First, TIU builds on induction in contrast to deduction, and accordingly does not impose formalized textbook marketing concepts and models on the small firms under study. Second, the process perspective, which emerges through repeated interactions with theory holders, is a characteristic of the TIU approach. This allows for better access and more insights into the marketing practices of small firms as the research becomes an iterative process around which data collection, analysis, reflection and verification all revolve. Third, the TIU approach holds that the developed theory or

framework should be useful in everyday marketing practice, i.e. applicable, a notion that serves our intention to provide an understanding of how service logic could be implemented in various types of firms.

The first step in a study adopting a TIU approach is to access the principles of the theory holder, i.e. the owner/manager of the firm (see Figure 1). On a practical level, the principles of theory holders are illustrated in personal marketing maps created by the theory builder, i.e. the researcher. In other words, the mental models guiding the theory holder are captured in an interview situation and concretely put to paper. Of the utmost importance for the researcher is not just to identify and describe the personal map of the theory holder, but to translate the map into knowledge that can be disseminated to a broader community, so that the process can be continued (Figure 1).

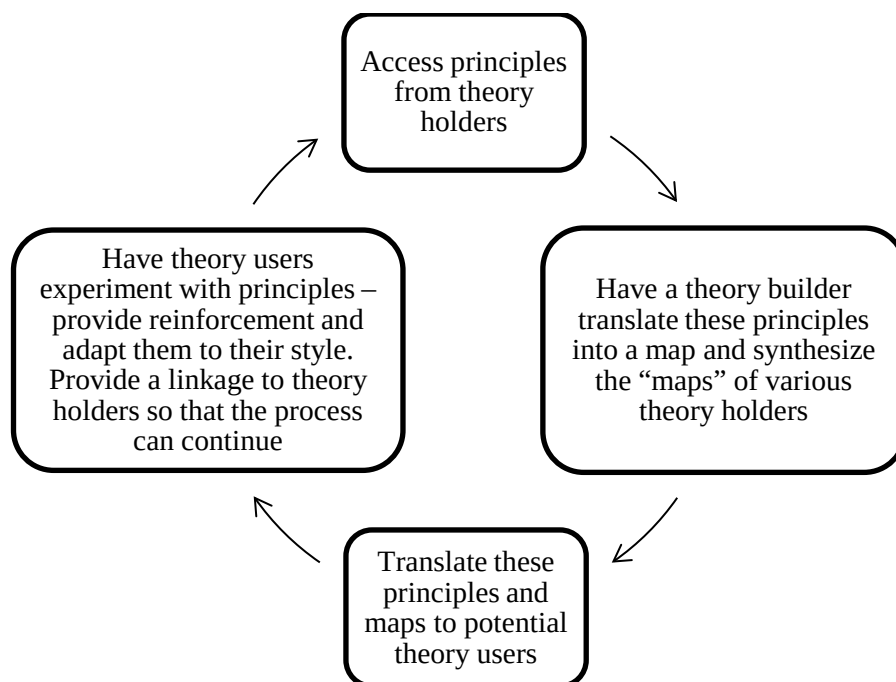


Figure 1. A simplified view of the theory development cycle (Heffring, 1985:109)

Selection and description of the cases

The empirical findings presented in this study are based on 59 interviews with owner-managers (theory holders) of small firms. Most of the firms are micro firms, with fewer than 10 employees, but there are also some larger ones, with up to 16 employees. On average, the firms have 4 full-time employees. The method of sampling can be described as purposive (Patton, 2002), with a clear intention to attain diversified and rich data from firms operating in various businesses, such as retail, finance, IT, design, restaurants and construction. The data collection process concluded when data saturation was reached (Bogdan and Biklen, 2006).

Data collection and analysis

The data were collected during a period of five years, from 2008 to 2013. The data collection from each case occurred in two phases: an *explorative* and a *verification* phase. The purpose of the explorative phase was to discover the main concepts and principles guiding the theory holder in his marketing efforts. Firstly, a general discussion between the researcher and the owner-manager took place, uncovering the history of the firm and describing its current situation and operations. Thereafter, the theory holder was asked to reflect on the following question: “What is of importance for the survival of the firm?” The theory holder was asked to elaborate on/think aloud around the question and to write or draw on a blank sheet of paper everything that came to his or her mind. The activity of drawing and writing is a tool for disseminating the TIU of the theory holder, and it has turned out to be an effective method of gaining access to the theory holder’s principles concerning how to handle marketing.

The reasoning of the theory holder is not necessarily a monologue – the researcher may have to probe (comment and ask questions) in order to keep the theory holder on track. The personal marketing map is hence a construction developed in a symbiotic process between the theory holder and the researcher. The “internal dialogue”, i.e. the reasoning out loud of the theory holder, was always recorded, transcribed and analysed by the researchers. Thus, before entering the verification phase, the researchers transcribed the discussion and created their own understanding of the map.

The map generated in the explorative phase was presented by the researcher to the theory holder for comments and verification in the second phase. The theory holder was asked to reflect upon the map, as the theory builder went through it and gave the theory holder his or her interpretation of it. The discussion yielded a deeper understanding of the theory holder’s TIU and provided additional information that did not emerge during the first phase. The map was hereby validated. After the verification phase, the researcher reviewed the map again and, as in the first phase, transcribed the reasoning aloud of both the researcher and the theory holder. Hence, the final map was created (Wägar et al., 2007). The fact that the data collection was conducted in two phases has several positive implications. First, a relationship is established with the theory holder, which means that the access is improved. This in turn increases the quality of the study. Second, the method promotes the learning process of both the theory holder and the researcher. By sharing the interpretation of the map, the researcher stimulates the thoughts of the theory holder. Thirdly, the collected data are rich, in-depth and detailed, reflecting the reality and everyday work of the theory holder.

The empirical study resulted in 530 pages of transcribed interviews and 59 maps. The empirically grounded findings that resulted from our inductive study were next interpreted through a service logic lens. To explore the underlying dimensions of service logic in a small firm marketing context, the data were scrutinized in a two-tier process. First, a case-by-case analysis was subject to a content analysis obeying the guidelines of Krippendorff (2013). Then, a cross-case comparison for the categorization of principles of practices, guided by the recommendations of Miles and Huberman (1984), was employed. For this, a constant comparative approach was applied (Glaser and Strauss, 1967; cf. Skålén et al., 2014).

PRINCIPLES OF SERVICE LOGIC IN SMALL FIRMS – REFLECTIONS AND EMPIRICAL FINDINGS

Wägar et al. (2007) found that the basic characteristic of marketing in small firms lies in its germinal nature. Germinal marketing is a metaphor for the process in which the owner-managers of small firms build a position on the market: with a long-term perspective, gradually and persistently, from seed to plant, i.e. from start-up to a viable business. The position on the market is achieved through long-range and purposeful marketing activities. This implies that the marketing process in a small firm is characterized by organic growth, whereby the development of the firm occurs little by little in accordance with what is allowed by the cash flow.

The main theories-in-use to manage marketing challenges and opportunities in small firms were labelled “earning your position” and “being your brand” in the study by Wägar et al. (2007). Earning your position unfolded into three principles: networking, speaking the customer’s language and caring for the customer. “Being your brand” included the principles of marketing by personal visibility and attending to one’s well-being. These very principles could also be found in the data analysed for this study, and therefore our findings support those of Wägar et al. (2007). The underlying dimensions of these principles moreover embrace the notion of service logic (Grönroos, 2008), the principle of caring for the customer being the most evident one in the study by Wägar et al. (2007). The strategic significance of this principle is what the study emphasized and that was also considered to be the foundation for the whole small firm business.

In the following section, we will examine the theories-in-use and their adherent principles in the light of the pillars of service logic, i.e. facilitation of the customer value creation process, interactions as opportunities for value co-creation and reciprocity.

Facilitation of the customer’s process of value creation

Service logic in the small firm indeed takes place in the service provision process (Nyman, 2013), for a simple reason – this is the only part of the service process for which they have the resources they need to master, i.e. themselves. Due to limited financial resources, and often personal resources and competences as well, the small firm has to rely on its ability to serve the customer, to cherish the relationship with the customer and to manage the whole process of caring for the customer. It is really a one-to-one process. The small firm relies mainly on three principles in order to be able to facilitate the customer’s process of value creation. These are the development of value constellations, the creation of consonance in the relationship, and caring for the customer. The fact that the small firm is small, with limited resources, results in the need for a network of reliable partners in order to be able to produce the solutions needed by customers (O’Donnell, 2004). By being able to organize and orchestrate a constellation of different actors, all contributing their own specific services and competences (cf. Edvardsson et al., 2014), the small firm can deliver augmented solutions for the benefit of the customer. This means that the customer himself does not need to coordinate

the activities between different providers. For example, our informant who runs a furnishing shop describes how she takes care of the recovering of furniture if the customer buys the upholstery fabric from her – at no extra charge.

The ability to create consonance, making the customer comfortable and at ease, can be regarded as an aspect that takes the customer's context for value creation into consideration. It also acknowledges that value creation as defined by the customer exceeds the mere use of the solution provided by the firm. The principle of creating consonance takes into account that the customer's value experience embraces all the facets of the interaction – not only those primarily related to the exchange of resources. The third principle, caring for the customer, is a self-evident extension of the ambition to create consonance. Caring for the customer means that the customer is regarded as an individual – a friend, who is shown consideration, interest and empathy – and not just someone who buys the company's products. This adds an emotional dimension to the marketing notion of Grönroos (2009:351): "marketing is ... promises about what a product can do for customers in terms of value creation".

For a summary of the service logic principles concerning facilitation, including empirical illustrations, please see Table 1.

Table 1. Principles related to facilitating the customer's process of value creation

SL pillar	Facilitating the customer's process of value creation		
Principles	Constellations	Consonance	Care
Explanation	This principle describes the necessity of developing effective relationships with stakeholders, not only for the sake of building a position on the market, but also in order to be able to provide the customers with the solutions that they need.	The owner-managers listen to the customers and try to offer solutions to their needs. They also try to create consonance in the relationship by encountering the customer on the customer's terms and conditions.	This principle reaches out of the formal business context and recognizes the individual behind the customer. Personalization of the customer builds on a sincere and honest intention to do good for the customer and to offer something of value according to his or her specific needs.
Empirical illustrations	"Co-operation with other entrepreneurs is, especially in the current situation, almost the most important thing for the firm." "We are just 4 people here, running this business with a turnover of €2.5 m a year – no way could we do that	"... And, if the customer is formal and strict, I am that too. I even put my shirt straight when talking to the customer over the telephone" "... We enter the customer's world and do as the customer does – if the	"The long-term value is that you are always there for the customer, you answer questions and you are a long-term partner. Important that it's not a single shot." "Our ambition is that the customer should feel like

	without reliable partners. I tend to regard my network partners as friends – a partnership of friends. But managing this network is like making an orchestra play the same melody. Everyone must know their responsibility and concentrate on their own core know-how.”	customer desires a pink product we deliver a pink product.” “Doing your work well and listening to the customer and you should always analyse your customer individually. You have to read the customer; you have to deliver what they want.”	the happiest person in the world when leaving the shop.” “Sometimes it is like a welfare office here – you get to know each other and the customer contact becomes so close. You know their work and their families ... You have to have time to socialize.”

Next, we will continue by discussing the second pillar, i.e. interactions.

Interactions

On the basis of the collected data, we found three principles that explain how small firms manage the scope of interactions with their customers: the widened interface, learning and mindfulness. In the small firm context, the interface with the customers is widened as the owner-manager occupies the role of a living and walking brand symbol for his firm. This widened interface, which might also stretch out into the customers’ sphere (Grönroos and Gummerus, 2014), creates better availability for the customers and also more opportunities for value co-creation for both actors. Still, perhaps the most important principle regarding this service logic concept is how small firms make use of the interactions with their customers as opportunities for continuous learning (Wägar, 2007). As one of the informants maintains, “Personal contact is crucial. It is the only way to learn what the customers want and how to make them satisfied.” The discussions with the customers are cherished moments of the relationship and the informants agree that the small firm context allows unique contact to be established with the customers. The uniqueness of every instance of customer contact is part of the phenomenon of germinal marketing, as it is through this that the small firm competes. For instance, the owner-manager of a fashion shop knows her customers so well that she can make customer-specific purchases one season ahead, which is highly appreciated by the customers. On the other hand, the widened interface and the salient role that the interactions possess also make great demands on the owner-manager and the rest of the staff. In order to be able to deliver on every occasion and in every encounter, physical and mental well-being in conjunction with a deep passion for the business is essential. The informants stress the ability to *manage/cope*, never having a “bad day” or “moment”, because the survival of the business demands that they constantly have the minds set of the customers. Therefore, we have chosen to label this principle mindfulness, as the owner-manager, as well as the staff, needs to be representative, attentive and focused in every situation in which a customer is encountered, a finding that in relation to service logic emphasizes a more holistic perspective on interactions (Grönroos, 2011).

For a summary of the service logic principles concerning interactions, including empirical illustrations, please see Table 2.

Table 2. Principles related to managing interactions with the customers

SL pillar	Interactions		
Principles	Widened interface	Learning	Mindfulness
Explanation	The owner-managers of the micro firm are living brand symbols, by putting the brand into motion and being visible in social contexts. This results in a wide as well as deep interface with the customers. Being the owner/manager of a small firm implies 24/7 availability.	For small firms, the interactions with customers are precious moments for learning. The learning flows in both directions, but is predominantly an occasion for the firm to learn about the customers and pick up trends on the market. Small firms seldom conduct satisfaction surveys – they prefer to interact with their customers.	The well-being of the owner/manager is crucial for business continuity. It is about the ability to go to work every day, to stand up when the going gets tough, to deliver in every customer interaction and thereby to keep the brand intact. The owner's "passion" for the business is a strong driving force for maintaining focus and being interested in the customer on every occasion.
Empirical illustrations	"People can come up to me at the cash desk in a store or if I go to the shopping mall to mingle and sometimes people shout "Christel, I would have an apartment for you!" "For our regular customers (a women's fashion shop) it is extremely important that I, as the owner, come and give the last word when the customer is hesitant: "yes, that is you or no, that is not good for you." "Depending on how much work we have here ... If we have a lot of work, then I don't dare to go to town, then I have to stay at home. But if we don't have that much work at the moment, then I go shopping in town and then at the same time I	"It's utterly important for us to sit down with our customers, educate them and show them how our technology can improve their business and functionality." "We are working directly with the clients. The clients are all the time in the process. And they are able to ask for feedback in the process all the time. It is important that the clients are with us in the development; if they are not, none of us will learn and the process won't succeed." "You have to listen to customers. The feedback can be constructive, it can be pointless, but you have to listen. And then you need to figure out what this	"And in a small firm it is also important that you look after yourself and care for your own capability." "One of the most important things for the firm is the manager himself; without his activity, motivation, commitment and positive attitude for his work almost no selling would be achieved." Our business is a lifestyle because you have really begun from zero. You have to build puzzle blocks little by little. It is going on in the head 24/7, all the time. It is impossible to shut the business off from the head."

	get a customer or two.” (firm?)	really means. Does it mean that they are unsatisfied, that we have done something really well, and so on.”	

Next, we will continue by discussing the third pillar, i.e. reciprocity.

Reciprocity

The notion of reciprocity as traditionally defined was, in relation to the other two SL pillars analysed in this study, somewhat more difficult to discern in the data. Reciprocity implies that both actors in the relationship should benefit, or become better off (Grönroos, 2008). On the basis of the informants’ descriptions of their struggle to serve their customers, throughout the relationship and in every interaction, it is reasonable to assume that the customers obtain at least some value, in some form, from the service provided by the firm. However, for an external observer, *the outcome for the firm itself is not obvious*. Usually value for a firm means financial value in terms of added value for the stakeholders (Grönroos and Helle, 2010). Unfortunately, the deep customer devotion that is to be found among small firms often takes place regardless of the firm’s own benefit in terms of short-term monetary value.

... For one customer I took off half the price of an order, because all of the purchased products were not consumed. Sometimes I also use my own free-time to be able to serve the customers according to their expectations ...

Moreover, if a too far-reaching focus on the facilitation of the customer’s process of value creation is allowed to prosper, it might, as indicated below, have other negative effects on the firm’s resources:

During the recent years the staff’s motivation has been descending because they have been focusing a bit too much on satisfying the customers. We will have to start focusing more on the staff and their well-being now, so that the motivation gets better and the balance will be restored. The staff is regardless the most important factor in providing the best possible service to the customers.

Consequently, and as a reflection, owner-managers of small firms would in this respect presumably benefit from revising their perspective on customer involvement slightly by focusing more on customer interaction in terms of “with customers” at the expense of just “for customers”. This shift in mind-set entails a stronger focus on the customer’s own sphere of value creation, in which s/he independently engages in value creation activities (Grönroos and Voima, 2013). On the other hand, this passion of “doing for the customer” is one of the foundations of the small firm’s competitive advantage.

In fact, it was evident from the data that the informants perceived the intangible benefits derived from the principles related to the facilitation of customers’ value creation processes

and the notion of interactions as utterly valuable. These intangible benefits can be grouped into outcomes related to reference value, competence value and emotional value. The principles presented here are thus not principles for reaching reciprocity – rather, they can be interpreted as principles related to how small firms attach value to different outcomes of customer relationships. For instance, the creation of conditions for flows of positive word of mouth permeates the daily agenda and can be connected to the way in which small firms manage their interactions with their customers. Stoke and Lomax (2002:351) also claimed “that the most important source of new customers for small firms is recommendations from existing customers”. The scarcity of resources implies that every customer relationship contains a route to more business and that it needs to be treated accordingly in order to result in valuable references, i.e. leading to ‘reference value’. Moreover, many informants emphasize the importance of closing deals with distinguished market actors as they will add more credibility to their firm. ‘Competence value’ is another reason why small firms put in extra effort in order to meet the requirements of demanding customers. “This way we develop our competence.” Finally and also regarded as an important outcome of value is the satisfactory feeling of being able to deliver a job well and satisfy the customer, i.e. ‘emotional value’. Intrinsic motivation (Ryan and Deci, 2000) in terms of emotional value is a strong business driver for the owners/managers of small firms (Astrachan and Jaskiewicz, 2008) and a reason for being an entrepreneur (Zellweger and Astrachan, 2008).

For a summary of the service logic principles concerning reciprocity, including empirical illustrations, see Table 3.

Table 3. Principles related to the notion of reciprocity

SL pillar	Reciprocity		
Principles	Reference value	Competence value	Emotional value
Explanation	Due to limited resources – financial as well as personal – the survival of a small firm is at the mercy of referrals from satisfied customers.	Demanding customers provide an opportunity for the small firm to improve its competences and thereby to evolve.	This principle covers the individual benefit or personal value that the owner/manager experiences when being able to do a good job or handle interactions with customers successfully.
Empirical illustrations	“The economic value we get from the clients is of course money. But then you need to see the clients as possibilities. You never know how many doors one small client can open.” “Good word of mouth is	“We have a communication plan to train our employees in how to behave and talk with customers to make sure that customers get good service and feel comfortable. When we make it easy for customers	“... I care. There are people who don’t care, who only do this for money, but I really care. There’s a part of my heart in everything I do ...” “If you would start considering what the

	the only marketing media we can afford. Therefore, we put in all our efforts to keep our customers happy and satisfied.” “For me it is completely OK that the customer spends one hour just talking with me. The personal touch we as small firms can add to every interaction is our firm’s best competitive advantage and the thing that is our best guarantee for survival.”	to communicate we will get more valuable feedback and our image will improve ...” “We learn by client projects. You can yourself propose a new technique or the client can demand or request it. Then we have to learn ourselves.” “... Our philosophy is that we deliver what we promised in the beginning. Then if we know how to do it is another thing. Sometimes you just need to take the step and say, ‘sure, we can do this’. Then you just solve the problems when you encounter them.”	economic gains are – you would get crazy and start crying. But, I burn for my business and that is why I am here!” “Running your own business is a foretaste of hell, but we have fun every day and would never return to our previous jobs. The feeling when you are able to make a customer relax and show his personality is worth everything.” “... The goal of our company is to create well-being; well-being for the customers, the employees and the company.”

DISCUSSION

Marketing in small firms is indeed an intriguing phenomenon. Taking an outsider perspective, one can mistakenly jump to the conclusion that marketing in small firms corresponds to that of large organizations, only on a smaller scale. Small firms do in fact struggle with the same types of challenges as many other larger firms and organizations. Moreover, the general goals and purposes of marketing also seem to be attained by small firms. However, when investigating the marketing realities of small firms, a somewhat different view on the marketing principles employed by small firms opens up.

The results from the empirical study confirm that small firms apply a service logic approach to marketing, both instinctively and as consequence of the specific conditions characterizing their business. The lessons to be learned from this specific context are therefore of great interest. In small firms, not only marketing activities but also the entire business seems to revolve around the service provision process. Their financial as well as their personal resources are limited, and the future of their business relies on their ability to handle customer relationships. This is how they fertilize their position on the market.

The findings from our study both extend and exemplify service as business logic. The contribution we make is threefold. Firstly, the different principles identified in the data – such as for instance creating consonance in the relationship, caring for the customers, widening the interface with the customers and practising mindfulness in every interaction – all contribute with content and meaning to the chosen service logic pillars. Secondly, the hitherto somewhat conceptual and normative body of knowledge of service as a business logic, is substantiated with a more practice oriented frame of reference based on learnings that are empirically

grounded. The empirical findings exemplifies how small firms handle service logic issues in their everyday marketing activities and customer interactions, i.e. how small firms continuously aim to align their own processes with those of their customers.

Thirdly, we would like to introduce the notion of learning as a nourishing factor for any firm practicing service logic. A service based business logic seems to be a living condition for many small firms, and it was fascinating to realize how customer interactions and the learning in these, were to be found in their lifeblood. They do not only work in close interaction with the customers – they seem to have adopted a learning-based business model by instinct (cf. Wägar, 2007). This evidence of learning in interactions practised by small firms is an explicit example of value co-creation in the joint sphere of the process of value creation in which both the provider and the customer interact directly, resulting in mutual value creation, i.e. value co-creation (Grönroos and Voima, 2013; Lusch, Vargo and O'Brian, 2007).

We would like to introduce learning as the common denominator that permeates all three SL pillars, linked either directly or indirectly to the corresponding principles. Firstly, the facilitation of customers' processes of value creation can be regarded as an end or ultimate goal in the service logic approach. In small firms, this is achieved through the three C principles: developing value Constellations, creating Consonance and Caring for the customer. The development of effective value constellations and the creation of consonance, however, do not happen by themselves – in this respect, customer insight is a necessity. This insight is generated in interactions with the customers thanks to the learning attitude that exploits the widened interface supported by deliberate mindfulness.

Secondly, when it comes to reciprocity, learning can be directly linked to competence value, since demanding customers provide opportunities for the evolution of the competence in the firm. Regarding reference value and emotional value, learning can be interpreted as means for the genesis of these values. Without having learnt about the customers, thereby being able to deliver a good job and making the customer better off (Grönroos, 2008), no references would follow resulting in new business opportunities. It can also be presumed that customer projects could not be closed with a sense of satisfaction either. Learning in interactions with customers is thus a crucial prerequisite considering the aim to facilitate customers' processes of value creation. Likewise, we can conclude that the reciprocity pillar, or the creation of mutual value for both actors, rests on the notion of learning.

CONCLUDING REMARKS

Service logic is a logic of value creation (Grönroos, 2008) and can be described as an approach to marketing whereby the service provider should aim to facilitate the customer's processes of value creation (Kingman-Brundage et al., 1995; Grönroos, 2011). Grönroos and Raval (2011) also propose a revised formulation of the goal for marketing in line with this: "The goal for marketing is to engage the supplier with significant customer practices and contribute to value creation in those practices, in a mutually beneficial way."

The purpose of this chapter was to introduce an empirically grounded framework that illustrates the underlying principles of service logic in a small firm marketing context, thereby providing a better understanding of how service logic could be implemented in various types of firms. In the analysis, this study emphasized the facilitation of the customer's process of value creation, interactions and reciprocity as we consider these to be the foundational pillars on which the core idea of the service logic approach rests.

The empirical findings illustrate how small firms handle their marketing challenges in a truly service logic-based manner – some of the case firms could even be labelled “born service logicians”. The most prominent feature of the business models of these firms is the inherent learning process that embeds their marketing activities. Resources are “becoming” (Edvardsson et al., 2014), and learning is deemed critical for understanding the meaning of value, value creation and value fulfilment (Hänti, 2014), i.e. for insights into service value configuration systems.

Hereby, we conclude that we have introduced a tentative framework for service marketing practice in small firms, but it is not definite, certainly dynamic and only an input into ongoing research on the business logics of small firms. For a more general discussion, and a glance at larger firms and companies, we claim that learning is critical for the implementation and use of a service logic approach. Let the nine principles explored and explained by the use of TIU be an inspiration to unwrap service logic further as business logic in any type of context.

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STRATEGIC TRADEOFFS IN SERVICE BUSINESS: THE CASE OF EFFICIENCY AND INNOVATIVENESS

Jaakko Aspara

*The Nordic School of service and relationship marketing has a long tradition of paying attention to strategic tradeoffs in service business, as well as utilizing strategic management and organization theory in elucidating such tradeoffs. In the same spirit, this article focuses on the tradeoff between a firm's efficiency in current services and its innovativeness in creating new services. The nature of this tradeoff is explicated based on service and strategic management theory, proposing that while existing efficiency **increases** the innovativeness of new services introduced by the firm, it **decreases** business performance for the new services and **diminishes** the positive influence of innovativeness on performance. Alternative theories are also presented, regarding how the scope of the firm's customer base may moderate the efficiency–innovativeness tradeoff. Based on preliminary evidence from a financial services industry, it seems that firms with a more focused (instead of broad) customer base may be better positioned to pursue both efficiency and innovations, and succeed with their new innovative services.*

One of the major insights of the Nordic School of relationship and service marketing is in its holistic perspective to service business, relationships, and processes—instead of assuming that “marketing” occurs separately from the actual creation and delivery of market offerings. A manifestation of this is the Nordic School's emphasis on both how to make attractive promises to customers, and how to deliver them effectively (Grönroos, 2009). As another case of such holistic approach, the Nordic service marketing scholars (Grönroos and Ojasalo, 2004)—and later on, American scholars as well (Marinova, Ye and Singh, 2008; Rust and Huang, 2012)—have focused on the dilemma of how to holistically balance the firm's service quality and performance (i.e. external efficiency) with the cost-efficiency of its service processes (i.e. internal efficiency). Relatedly, the Nordic School also has a long tradition of utilizing and integrating strategic management and organization theory, on top of marketing theory, to study such dilemmas. In fact, already in Grönroos's (1983) *Strategic Management and Marketing in the Service Sector*, he lays the foundation of considering how to balance between internal efficiency of the firm (i.e. mainly cost considerations) and external efficiency (i.e. mainly revenue-generating considerations), and how to avoid various “strategic management traps” associated.

In the present article, I focus on one variant of the dilemma regarding external vs. internal efficiency in service business: How to balance between the efficiency of the firm's *current* or existing services vs. the performance of *new* services introduced by the firm? In the spirit of the holistic and organizational perspective of the Nordic school, this question has a linkage with the broader strategic management dilemma of whether an organization can simultaneously be both *efficient* in its existing businesses and *innovative* in creating new ones (Leonard-Barton, 1992; Christensen, 1997; Atuahene-Gima, 2005). Against this backdrop, the present article integrates further strategic management theory to Nordic service marketing

literature, and theorizes (1) the performance tradeoff between a firm's existing service efficiency and innovativeness in introducing new services. I also provide an outline on (2) whether market-based, customer relationship factors such as the scope of the firm's customer base can alleviate the tradeoff. To provide preliminary evidence on the propositions developed, I also report observations from a recent study of ours on the mutual funds industry in Finland. In brief, the propositions suggest that existing service efficiency actually *increases* the innovativeness of the firm's new services, but it indeed elicits a tradeoff when it comes to new service performance. Namely, the efficiency of existing services *decreases* the performance of the new services introduced and *reduces* the positive effect of innovativeness on performance. However, it is also suggested that cherishing a more focused (instead of broad) customer base may potentially mitigate this tradeoff.

THEORY DEVELOPMENT AND PROPOSITIONS

Background: Innovations in Service Business

Many service firms traditionally focus strongly on their internal efficiency, while trying to optimize the relationship between eventual customer value and the costs related to service staff, facilities, capacity, and other inputs (Anderson, Fornell and Rust, 1997; Grönroos and Ojasalo, 2004; Marinova et al., 2008; Rust and Huang, 2012). Yet, due to competition and globalization trends, service firms also increasingly engage in innovating (Dotzel, Venkatesh and Berry, 2013), besides the efficiency of their current services

At any rate, strategic management research notes that even without efficiency considerations, the pursuit of innovations *per se* is challenging in service business. On one hand, due to the relative ease of imitating service offerings, new services often risk being copied by competitors (Carman and Langeard, 1980; Makadok, 1998; Rubera and Kirca, 2012). On the other hand, customers may hesitate adopting new services, as they are unable to observe the intangible quality of new services before purchasing or using them (Holmström, 1985; Nayyar, 1990). These strategic issues imply that introducing service innovations might not, in the first place, be very lucrative for service firms.

Combining a potential efficiency–innovation tradeoff to the unique challenges of services innovation (e.g. the high risk of competitive imitation and customer suspicions about quality) complicates matters further. With the efficiency–innovation tradeoff, I refer to the notion in strategic management literature suggesting that “efficiency-centered” and “novelty-centered” business models are fundamentally juxtaposed to each other (Zott and Amit, 2008; cf. Aspara and Tikkanen, 2013). Specifically, the literature implies that the simultaneous pursuit of innovations by highly efficient or efficiency-focused firms tends not to succeed well due to the “capability-rigidity paradox” and the fundamental organizational tension between “exploitation” and “exploration” (Leonard-Barton, 1992; Benner and Tushman, 2003). That is, when firms are highly efficient (to exploit their capabilities) in a certain domain, they often become rigid and have a reduced ability to innovate (i.e. explore new capabilities and domains).

To further develop propositions on the efficiency–innovation tradeoff in the context of service business, I turn next to further theory development regarding the specific links of a firm’s (i) existing service efficiency, (ii) new service innovativeness, and (iii) new service performance.

Baseline Efficiency–Innovativeness Tradeoff

Based on literature on market-based assets such as customer-based brand equity (Keller, 1993; Morgan and Rego, 2009) and customer equity (Rust, Zeithaml and Lemon, 2000), it can be expected that the firm’s existing service efficiency in fact *increases* its new service innovativeness, in the first place. This is because firms with high customer-perceived efficiency of their current services are likely to have more uncommitted organizational slack (Cyert and March, 1963:189; Mone, McKinley and Barker, 1998) as well as customer equity/trust (Dacin and Smith, 1994; Rust, Lemon and Zeithaml, 2004; see also Singh 1986) to exploit, in order to bring more innovative services to the market earlier than competitors. Service business managers may hence assume that they have the resources as well as customer trust (due to high past customer-perceived efficiency) to introduce more innovative new services to the market as well. Thus:

Proposition P1: A firm’s existing service efficiency has a positive effect on the innovativeness of new services it introduces.

Nevertheless, while existing service efficiency can be expected to increase new service innovativeness (P1), a negative efficiency–innovativeness tradeoff can, paradoxically enough, arise for two reasons. First, existing service efficiency can be expected to wield a *negative main effect* on (a) new service performance. This is because the notion of capability-rigidity paradox (Benner and Tushman, 2003; Leonard-Barton, 1992) predicts that organizations that are highly capable and efficient with their existing offerings will have a reduced *ability* to develop novel innovative offerings. That is, even if these firms may be eager to introduce innovative new services due to organizational slack and customer trust (as suggested in P1), the negative by-product of efficiency is rigidity (Leonard-Barton, 1992), which may hamper the actual development and delivery of the innovations. This would result in a negative main effect by existing efficiency on the performance of the new services.

Second, existing service efficiency may (b) *negatively moderate* the otherwise positive effect of new service innovativeness on performance. Namely, strategic management research (Barnett and Pontikes, 2008) notes that firms that are efficient may have an exaggerated sense of their ability to innovate. This is because the managers of such firms may suffer from overconfidence (Bazerman and Neale, 1986) or success bias (Denrell, 2003). Furthermore, brand management literature also suggests that managers of firms with strong brand track records may be over-optimistic and introduce new services in categories that are far from their current ones. Nijssen and Agustin (2005:46), for instance, note that “managers tended to focus on brands’ proven... qualities”, leading to potential over-extension of their brands. This implies that when making decisions about new services, managers may tend to rely on the

existing quality track record of their firm, while not being cautious enough about over-extending their brands through excessive innovativeness. This means that the eagerness for new service innovativeness, as increased by existing service efficiency, may be partly unwarranted, and therefore weaken the otherwise positive link between new service innovativeness and performance.

To summarize the above discussion, the following proposition suggests a potential tradeoff between existing service efficiency and new service innovativeness:

Proposition P2: A firm's existing service efficiency has (a) a negative effect on the performance of the new services and (b) a negative moderating influence on the effect of new service innovativeness on new service performance.

Customer Base Scope as Mitigating the Efficiency–Innovation Tradeoff

While the propositions P1 and P2 suggest a baseline efficiency–innovation tradeoff, the second question at the outset of this article was: How can strategic customer factors such as the firm's existing customer base mitigate the tradeoff? Customer base is selected here as a focal factor because it is one of the primary market-based assets (Srivastava, Fahey and Christensen, 2001): The firm's customer base can serve both as an intellectual asset (i.e. platform for market/customer information) and as a relational asset (platform for customer loyalty) for it.

Specifically, a *broad* scope of the customer base refers, here, to a relatively high number of customers for existing services, while a *focused* scope of the customer base refers to a relatively low number of existing customers. Interestingly, alternative theories can be developed, regarding whether a more broad or focused customer base might mitigate the negative effect of efficiency on new service performance. In the first place, a *broad* customer base naturally implies that the firm could more easily sell new services, as well, to the broad existing customer population, by exploiting its current customer relations as a platform for cross-selling or up-selling (Srivastava, Shervani and Fahey, 1999; Srivastava et al., 2001). This would suggest that a broad customer base would help mitigate the negative tradeoff between existing efficiency and new service performance. However, alternatively, a *focused* existing customer base might also mitigate the tradeoff between existing efficiency and new service performance. Namely, a focused customer base is likely to incentivize an efficient firm's management to craft new services more carefully for the targeted (new or old) customers' needs. Moreover, even Porter's work (1980) on business strategies implies that combining efficiency strategies, on one hand, to differentiation or innovation strategies, on the other, is difficult—unless the firm utilizes a focus strategy which targets a relatively narrow market segment or niche (see also Frei, 2008). Thus, an alternative proposition would suggest that a focused (instead of broad) customer base would help mitigate the negative tradeoff between service efficiency and new service performance. In summary, the two alternative theories lead to two alternative propositions:

Proposition 3: A *broad* customer scope will mitigate the negative influence of efficiency on new service performance.

Proposition 3_{alt}: A *focused* customer scope will mitigate the negative influence of efficiency on new service performance.

Figure 1 summarizes the propositions developed above.

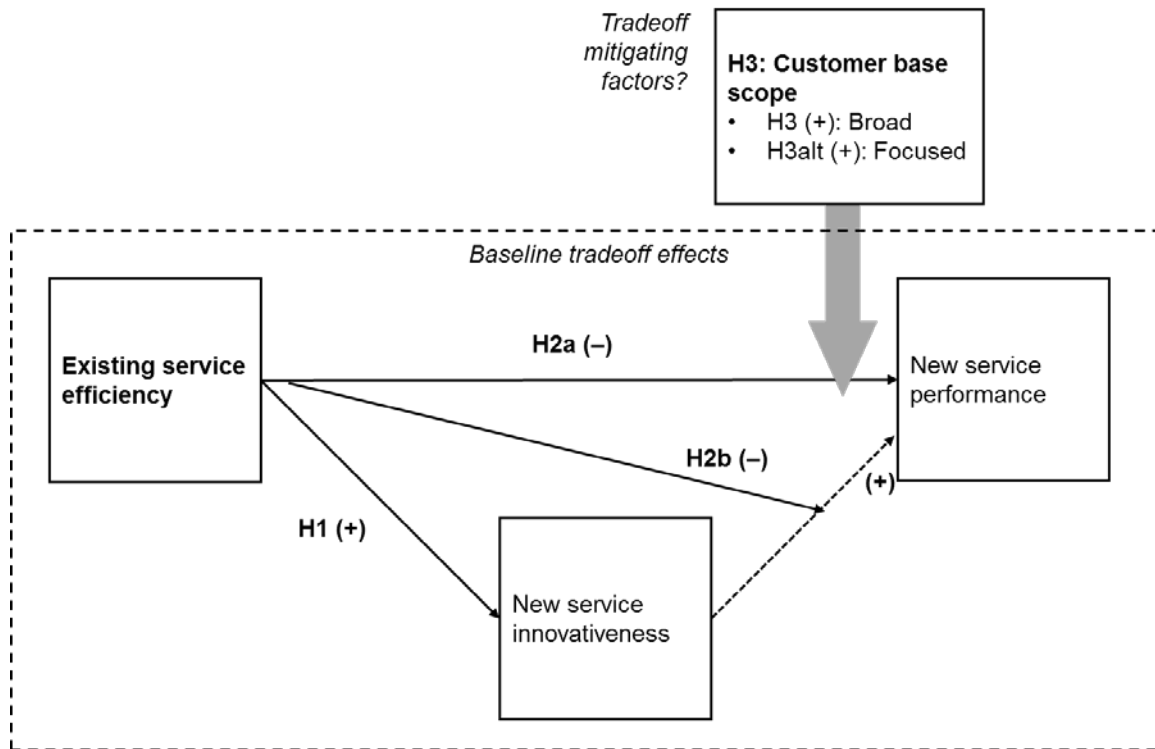


Figure 1. Framework and Propositions

PRELIMINARY EVIDENCE FROM A STUDY ON MUTUAL FUNDS INDUSTRY

In an empirical project exploring the propositions above, we have elsewhere (Aspara, Luo and Tikkanen, 2014) studied a financial services market: the mutual funds market in Finland. In that study, the data covers all new fund service introductions by the firms in the market over the period 1997–2009. For these firms, we have measured *existing service efficiency* by employing Data Envelopment Analysis (DEA) (see e.g. Luo and Homburg, 2007). We have operationalized efficiency first at the fund-level, as a customer-perceived service efficiency (i.e. the fund's efficiency in converting multiple price&cost inputs into the outputs of high financial returns&low risk of the fund; cf. Sharpe, 1994). The fund-level efficiencies are then aggregated on to the firm level. *New service innovativeness*, in turn, has been measured as earliness with which the firm introduces a given new fund to the market (i.e. how many years before competitors). In turn, *new service performance* has been measured as the size of the fund (in terms of euros) after one year from introduction, which in this industry also broadly reflects the profitability of the fund to the firm. Finally, customer base has been measured

simply by the number of customers the firm has for its existing services. Our data comprises 527 new fund introductions. I provide preliminary observations from the data below.

In the data, zero-order correlations indeed provide preliminary support to propositions 1 and 2. In support of P1, first, the correlation between existing service efficiency and new service innovativeness is *positive* (.07). Yet, while the correlation between new service innovativeness and new service performance is also positive (.05), the correlation between existing service efficiency and new service performance is negative (-.23). This is consistent with P2.

Figures 2a-b provide further preliminary evidence related to proposition P2, as well as proposition P3. Firstly, it can be noted that the business performance of new service introductions in each figure is lower in the case of firms with high existing service efficiency (i.e., the full line is below the dashed line). This is, again, consistent with P2. However, Figures 2a-2b also show that for firms with a focused customer scope, the innovation performance gap between firms of high vs. low existing efficiency is practically eliminated (i.e. the lines come close to each other). Specifically, a comparison of Figure 2a (broad customer scope) with Figure 2b (focused customer scope) indicates that a focused customer scope seems to nullify the negative effect of existing efficiency on new service performance. That is, highly efficient firms with a more focused customer scope do not seem to suffer from the tradeoff of existing efficiency and new service performance to an equal degree. In contrast, high-efficiency firms with a *broad* customer scope exhibit much lower performance for their new services than low-efficiency firms. These data would thus preliminarily seem to support proposition P3_{alt}, while rejecting P3.

Figure 2a. Performance of New Services of Firms with *Broad* Customer Scope

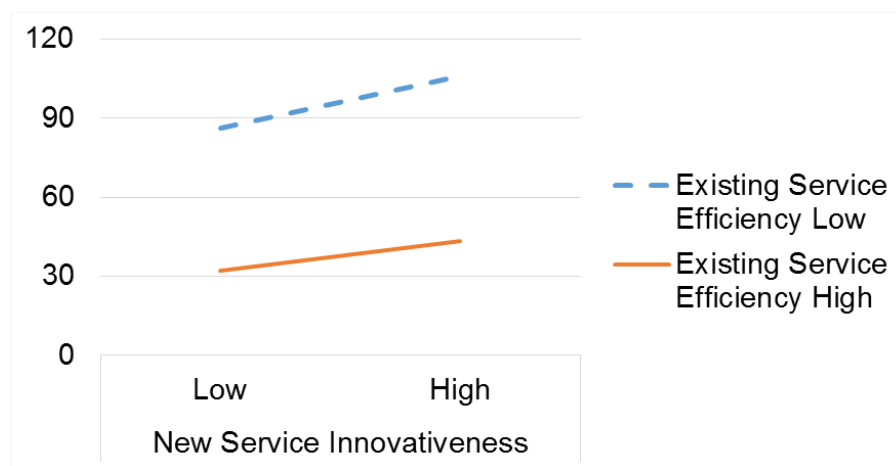
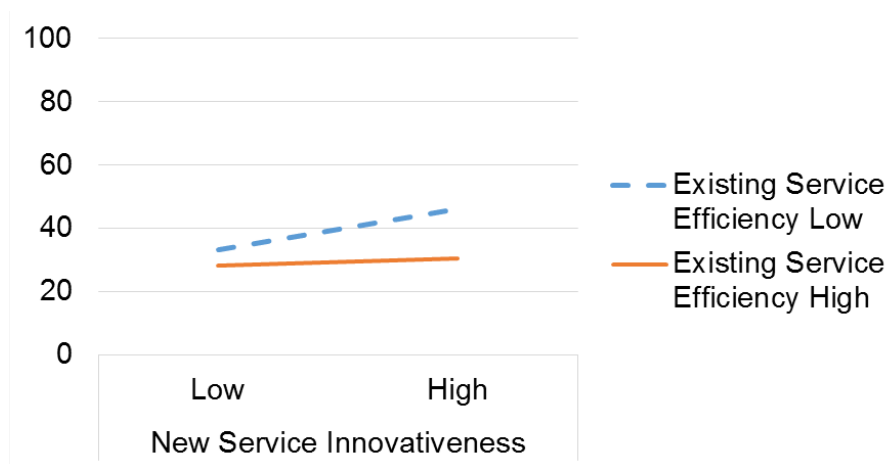


Figure 2b. Performance of New Services of Firms with *Focused* Customer Scope**Figure 2.** Preliminary Evidence from Financial Services: Efficiency-Innovativeness Tradeoff and Customer Base as a Mitigating Factor¹

DISCUSSION

In present article, I embarked to extend the Nordic school's holistic perspective to service processes by examining the possible tradeoff between a firm's current service efficiency, new service innovativeness, and new service performance. To develop propositions, strategic management theory on organizational processes and innovativeness was integrated to service marketing theory, in the spirit of the Nordic School. Indeed, previous service marketing research in the Nordic School (Grönroos, 1983; Grönroos and Ojasalo, 2004), and later elsewhere (Marinova et al., 2008; Rust and Huang, 2012), has noted the tradeoff dilemma between internal vs. external efficiency of the firm's *current* service provision. As an extension, the present article theorized a tradeoff between the efficiency of the firm's current services vs. the performance of *new* services the firm introduces to the market. The framework developed partly complements and partly contrasts with Rust and Huang (2012), for instance, who suggest that service firms tend to be too efficiency-oriented in their existing business (i.e. they should put more emphasis on service quality). The present framework add the notion that efficient service firms may sometimes even be excessively innovative in introducing new services.

Moreover, new customer-related strategic factors that may mitigate the tradeoff were identified. Specifically, it is suggested that a focused customer base could serve to mitigate the baseline efficiency–innovativeness tradeoff. In identifying this mitigating factor, the present work adds new market-based, customer-related moderating factors to service productivity research, which has previously concentrated on personnel management factors (e.g. organizational cohesion; Marinova et al., 2008) and general operational factors (e.g.

¹ The figures depict the performance of new services of above- vs. below-median innovativeness, from firms from above- vs. below-median efficiency.

price, wage level, market concentration; Rust and Huang, 2012). In this sense, the framework also extends Makadok's (1998) speculation in strategic management, that a strong track record of customer value is a key factor behind service firms' success with pioneering innovations. The present framework further implies that a strong track record combined with a focused customer base could be especially useful from the perspective of innovation performance. In the spirit of the Nordic School, these results also show underline the importance of integrated, holistic management of making service promises (i.e. focused customer target group), on one hand, and delivering promises (i.e. combining efficient existing services and innovative new ones), on the other (Grönroos, 2009).

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BRANDING IN SERVICE MARKETING

A NORDIC SCHOOL APPROACH TO IMAGES AND BRANDING

Anne Rindell

This chapter discusses the Nordic School approach to branding research; the chapter focuses on the question, “How does a Nordic School approach influence how we understand and study branding and images?” Customer and process orientations are proposed as being central elements when conducting research on brand images with a Nordic School approach. As a result, image dynamics (temporal and contextual dimensions in images) become focal topics. However, it is further proposed that service research would also benefit from further developing the understanding of how customer images influence various service issues like service quality, service experience, customer value, and service innovation based on the latest findings regarding image dynamics within branding research. This chapter ends with suggestions of new avenues for branding and image research based on the Nordic School approach.

INTRODUCTION

Images are always strategic, and this has been recognized in the marketing literature since the 1950s (Gardner and Levy, 1955; Martineau, 1958). As company offerings are to a large extent evaluated and sold based on their images, such as how customers¹ perceive the offering, the company, the personnel, the country of origin, the region, or other influencers that the customer relates to the offering, image research remains on the agenda in business research. Within marketing, the most common research field for images is probably branding, although consumer behavior, consumer culture theory, service and relationship marketing, marketing psychology, or design management could constitute examples of other relevant positioning fields for an image researcher. Furthermore, image research may be positioned within a number of other disciplines than business studies, such as neuroscience, psychology, or sociology. This chapter is positioned in branding research, and its purpose is to discuss how a Nordic School approach on branding may look. Hence, the research question is as follows: How does a Nordic School approach influence how we understand and study branding and images?

My personal area of interest concerns images in various business and customer contexts. The interest started in the 1980s when I attended one of the early courses taught by Professor Grönroos on service marketing. What fascinated me the most was his model on service quality, especially the image dimension therein (Grönroos, 1984). He proposed that technical and functional quality is filtered through the image dimension. As he argued, service quality is influenced by customer perceptions. Therefore, he explained, being served porridge at breakfast in a hotel may represent quality and enhance the corporate brand image for some people, whereas others might perceive the same offering as low quality with a negative

¹ ‘Customer’ is used in this paper throughout the text and is interchangeable with other actors in business relationships.

outcome. Since that service quality model was presented, brands and image have not, however, played a prominent role in the service literature. At the same time, service quality, service experience, perceived value, servicescape, and service innovation are still all influenced by customers' images, but these factors have been poorly accounted for. Nevertheless, within branding research, images are fundamental and remain one of the ultimate goals of all business activities.

This 'customer perspective'—how customers perceive things—became my main interest. For me, the Nordic school of branding represents a view that begins with the customers' or other stakeholders' understanding of an individual, social, or cultural level and expands to include how this understanding influences branding decisions, the entire business, and its logic. The aim is therefore to learn to understand how customers *de facto* think and why they think as they do.

As a research field, branding has been labelled and re-labelled a number of times. Since the 1950s, the field has been called image management, brand vs. corporate identity management, design management and, most recently, branding. Although the term "branding" is still evolving today and represents the entire research field that focuses on how to influence images, these previous concepts are still appropriate to use; no consensus among researchers on the proper naming exists due to the research field's disciplinary and national roots and schools of thought (for a discussion on this incongruent terminology, see Balmer, 2013). A Nordic School approach may also be pursued on branding. The present paper highlights two fundamentals within the Nordic School approach that influence how to study and understand branding, including customer and process orientation. In line with Grönroos' (2007) findings, the chapter focuses on 'how to think' rather than 'what to do.'

In many regards, this paper reflects my personal perspective on the domain. For the sake of suitability, I make significant references to my own/collaborative work on the domain. The paper is structured as follows: first, some characteristics of branding as a research field and how these characteristics relate to the Nordic School approach are discussed. Second, customer and process orientation in images are highlighted, and finally, a summary of the influence a Nordic School approach might have on branding research is presented.

CHARACTERISTICS OF BRANDING AND THE NORDIC SCHOOL APPROACH

Within branding, researchers' main interest usually relates to one of the three main research questions and foci within the field: (1) organizational identity, where the main research question is "who are we as an organization" (Albert and Whetten, 1985), and (2) branding, also called corporate identity, where the main research question is "how do/should we present ourselves to various audiences?" These two research fields represent the company's view, its processes and activities. The third essential question relates to customers, namely (3) customer images. Here, the main research question is "how do customers perceive the company and its products and services?" or, in general terms, "how is an entity perceived?" The latter general question has inspired image research in many fields beyond business

contexts, such as nations and places, professions, politicians, and even world views like religions.

Organizational identity – who are we as an organization?

Research focusing on organizational identity is often positioned within management studies. Following a Nordic School approach, the viewpoint on an organizational identity would be dynamic and strongly influenced by and connected to how various employees and customers see and experience the company, with an emphasis on determining the impact that influencers in the environment have on organizational identity. Hence, the research questions here might be “how many identities does the organization in fact have?”; “how can we balance between and orchestrate these identities?”; “how does identity develop over time due to customer influences?” and “how can we understand the multiplicity of identity dynamics within an organization?” Although these questions are more multifaceted and dynamic than traditional approaches on organizational identity, they, too, respond to the overall question of “who are we as an organization?” For example, Hatch and Schultz (2002) have proposed dynamic views and, Schultz and Hernes (2013) put forth temporal views on organizational identity; hence, their studies could resemble the Nordic School approach.

Branding/corporate identity - how do/should we present ourselves to various audiences?

Questions relating to branding/corporate identity focus on the main question, “how should we present ourselves to our audiences?” (Balmer, 2013), and much effort has been placed on modeling the management processes related to this question. These management-focused models have, however, seldom been grounded on subjectivist consumer or stakeholder research. Instead, they are based on the view that brand images to a large extent can be controlled by the company and also studied as a mirror-reflection of a branding strategy (Gordon, 2006). These traditional approaches and models are often characterized by a static and closed source view of customer images, meaning that the company is seen as the only source used by the customer for constructing images of a specific offering (Pitt et al., 2006). However, for example, social interaction can be an “image source,” like the recollection of a grandmother liking a specific brand can influence how a specific product/service or company is perceived later in that person’s life (Rindell and Iglesias, 2014).

In our previous article (Rindell and Strandvik, 2010), we analyzed the branding literature and contrasted and synthesized traditional organization-focused research and theory on corporate branding with customer-focused views on corporate brand images. We presented a framework that summarizes our analysis into four archetypical perspectives within branding. Figure 1 presents the analysis in relation to a proposition of how a Nordic School approach would be positioned therein. The arrow illustrates the position of a Nordic School approach. The two dimensions in the analysis are control and change. Control indicates whether the brand image is considered to be controlled by the company or the customer. Pitt et al. (2006) proposed that a “closed-source view” within branding implies that the customers’ brand

images are based mainly on company actions. The company and its actions are hence considered to be almost the only source for customer images. The opposite, an “open-source view,” indicates that everything the customer him/herself finds relevant can influence the image. Hence, the open-source view recognizes a multiplicity of additional sources than the company, like social interaction, as possible influencers of brand images (Pitt et al., 2006).

The other dimension in Figure 1 is change, indicating either a static or dynamic view of brand images (for an analysis, see Stern, Zinkhan and Jaju, 2001). Based on our analysis, four characteristics for branding research were proposed: brand building, brand renovation, brand emergence, and brand evolution (Rindell and Strandvik, 2010). Brand building (where the brand promise is more or less the same over the years) and brand renovation (in which the brand promise changes, e.g. due to new positioning or branding strategies, mergers, or acquisitions) represents traditional views in which customers’ images are considered to change only when the company decides to make a change in the branding strategy. Therefore, the control of brand images are in the hands of the company as the main source for brand messages and, as a result, brand images.

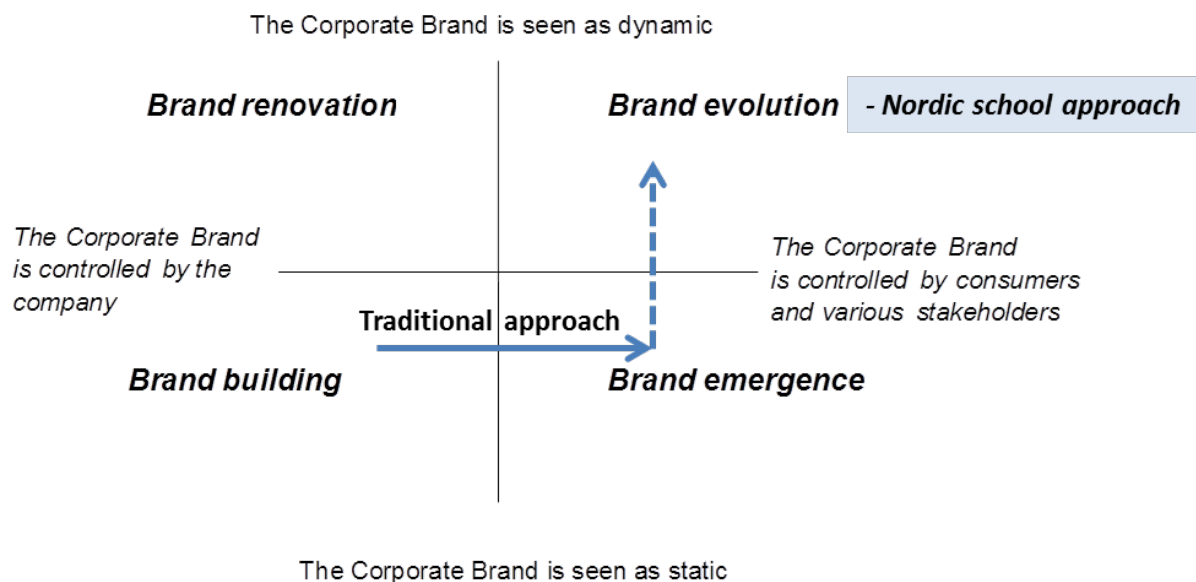


Figure 1. Analysis of branding literature and the positioning of a Nordic School approach (developed based on Rindell, 2007; Rindell and Strandvik, 2010)

Brand emergence and brand evolution (right-hand side in Figure 1) are in line with a Nordic School approach as they represent customer-focused open source views in which everything the customer finds to be relevant corporate brand messages may influence his/her corporate brand images. In essence, from a Nordic-school and open-source view, everything can become a message related to the company (Facebook discussions, parents’ opinions, friends’ and colleagues’ opinions and experiences, as well as television programmes, books, movies, and so forth) as long as the customer perceives them to influence on his/her brand images. Therefore, it is the customer who controls the images, not the company. The company can exert an influence, but it cannot control brand images.

The other dimension in Figure 1 (static vs. dynamic) refers to change and time. Traditionally, image research and the understanding of what an image is has been state-oriented, denoting a structure (a gestalt) and focusing on customer attitudes and attributes of the entity (Stern et al., 2001). This means in essence that the organization is considered “to be” something (e.g. modern), and customer attitudes “are something,” for example, enthusiastic, hence representing static views on images and named brand emergence, as shown in Figure 1. Brand emergence depicts approaches within branding research that are customer-oriented but views images as static. The fourth approach, brand evolvement, resembles the Nordic School approach. It can be characterized as a dynamic customer-oriented view in which brand images are considered to evolve in customers’ minds as dynamic processes *over time*. Hence, the difference between brand emergence and brand evolvement is that in brand emergence, the image is considered static, whereas in brand evolvement, it is considered to be dynamic, evolving over time, and to have the ability to change according to the customer’s will (Rindell and Strandvik, 2010). Brand evolution captures process orientation; using a process-oriented approach, we would hence study various customer processes in which the brand has a role and be interested in a brand relationship and how it evolves over time, and how these issues influence on branding. This dynamic brand evolution view resembles a Nordic School approach to branding.

From this Nordic School view, the challenge within branding would then be to change the view, the question of “how to think,” from static and stable market positions towards ever-changing market dynamics. In our previous article, (Rindell and Strandvik, 2010) we argue that this challenges the traditional view on branding, particularly the view of the company in regards to managing brands and images in general. As customers have the power to create brand images according to their free will and based on chosen sources over time, companies have numerous brands and images on the market among both internal and external stakeholders.

How does this dynamic view on images influence corporate branding in practice? When branding strategies and plans change during a year due to business, corporate, or customer dynamics, it may result in a discrepancy between what has been planned and what is done, and also what customers were expected to experience. Therefore, branding strategies, plans, and customer experiences should be followed up and learnt from continuously. Thus, learning and dialogue is essential. In practice, for example, some employees may not follow management decisions or they could interpret them differently than assumed by the management, resulting in other customer experiences than were expected. Likewise, some of our branding activities could have changed due to changes among subcontractors, or unexpected market reactions could have resulted in organizational unlearning due to changes in beliefs and routines in the organization (Rindell and Strandvik, 2010). From a Nordic School perspective, interesting research opportunities emerge, including the following: “What do companies learn and how, when adapting branding strategies to market dynamics?”; “How can companies support evolving customer brand images in customer contexts?” and “How to manage the tension between intended branding and the actual realized branding?”

In conclusion, customer-orientation in images is of interest within a Nordic School approach. Next, the focus is on customer images and how they have been and can be studied with the Nordic School approach.

Customer images—how do customers perceive the company and its offerings?

Image is the third central topic within branding research, and it is assessed by examining responses to the question, “how do customers perceive the company and its offerings?” This essential and important question is the rationale for branding per se, as customers buy and evaluate offerings and companies in ways that are largely based on how they perceive them. The importance of image was first brought up for discussion in the 1950s (Gardner and Levy, 1955; Martineau, 1958). Yet, only sporadically during the past 60 years has image research been grounded in genuine customer-understanding from an open-source view (Pitt et al., 2006). In contrast, however, a customer focus is at the core of the Nordic School approach. Therefore, genuine customer understanding would be the starting point in a Nordic School approach on branding. This approach contrasts a method of customer understanding that is based on mirroring the company’s branding strategies. Subjectivist customer-focused branding research does, however, exist, for example within Consumer Culture Theory (CCT). In contrast to the Nordic School approach, these studies do not always aim to connect the findings to management processes and business development.

Following a Nordic School approach, customer images are proposed to be constructed through dynamic relational processes based on a multifaceted network of earlier images from multiple sources over time” (Rindell, 2007:157). In accordance, a Nordic School approach looks into customer-processes, asking the following questions: Why, how, when, where, with whom, and with what role is the brand present in customer processes? Hence, when advancing the company’s branding strategies towards subjectivist customer understanding, it should be acknowledged that brand images are influenced by multiple sources in addition to the company. The challenge becomes to create an understanding of the customer as an active constructor of brand images based on his or her interactions not only with the company and its offerings but also with multiple other sources, such as customer-to-customer interactions, over time. The research focus could then be on dynamic, relational, contextual, and temporal (past, present, and future) elements of images. The type of research interest would relate to when, how, and in which contexts the brand relationship started and how has it developed, how and when do brand relationships change, brand-relationship types, image dynamics and how images change, how do brand images evolve over time, how and what earlier images still influence present (image heritage) images, what do customers remember and why, what do customers integrate in their brand images (various sources and contexts over time), brand avoidance and brand ignorance, brand communities, and how does culture influence on corporate brand images

TIME, CONTEXT, AND PROCESS ORIENTATION IN IMAGES

As defined earlier, customer images may be described as dynamic context-bound processes that evolve over time. Pettigrew (1997:338) describes a process as a sequence of individual and collective events, actions, and activities unfolding over time in a context. Pettigrew specifies that although actions drive processes, the context must also always be recognized. Services are defined as context bound (Gummerus and Pihlström, 2011) processes (Grönroos, 2007:53), which links service research to branding. In this chapter, contextual and temporal dimensions in image processes will be discussed, as well as how these images may change.

In this paper, image dynamics indicate that images are not static, but they may change due to all available sources over time. Image dynamics is, however, to my knowledge a rather seldom studied viewpoint within branding. Findings from my own research indicate, however, that images may change suddenly, due to a specific experience or new situation, or they may change slowly over time. The change may be due to the following: (i) the customer's own activity like becoming an employee or experiencing a change in life situations; (ii) the company's activity, like a new department in a department store; or changes in (iii) the environment, such as change of values in the society (Rindell, 2007:151). In conclusion, three basic influencers were found, and two characteristic of change were identified. Due to the shortage of studies on image dynamics, further research will be needed to deepen the understanding of image change. Inspiration for these studies may be found in brand relationship studies or service research focusing on customer-relationship change, like fading relationships (Åkerlund, 2004) or negative critical waves in business relationships (Edvardsson et al., 2013). These service research studies have been conducted within the Nordic School approach. However, dynamic processes have temporal and contextual elements, and they will be discussed next.

Time and image

When taking a process-oriented view on images, the temporal dimension in images is accentuated. Although the temporal dimension is frequently referred to both explicitly and implicitly in the branding literature in terms of, for example, customer memory (Keller, 2008), reputation, retro branding, nostalgia, iconic brands, brand heritage (Rindell, 2013), and corporate heritage (Balmer, 2013), to what extent these concepts refer to customer-images grounded in genuine customer-processes is disputable. For example, reputation is defined as a "collective representation of a firm's past actions" (Fombrun and van Riel, 2003:230), hence depicting a closed source view on a collective representation, which contrasts with the view on images taken in this chapter as an individual open source concept. The essential question is, however, "how do customers' past images and experiences influence present image construction processes?" indicating a time dimension in images. This assertion is supported by a neuroscience perspective: "Much of what we take for granted as 'the way the worlds is'—as we perceive it—is in fact what we have learned about the world—as we remember it" (Solms and Turnbull, 2002:154). In accordance, past images and experiences still exert positive or negative influences on the present image construction process, including the

following: experiences relating to company actions over the years, individual experiences over the year, or other people's stories and experiences, just to name a few questions that are of interest when considering how and what past brand or corporate brand images influence the present image construction process.

In essence, therefore, how would the concept of time in a branding and image context be understood? Halinen, Medlin and Törnroos (2012) argued that the understanding of any business process depends on how time is understood and conceptualized. They make a distinction between two approaches, "clock-time and event-time view, where clock-time represents the absolute concept of a time separating event by event on a timeline. Event-time instead implies that for any event in the present time sphere, any past and future events merge in the event. An event-time approach allows for process-orientation in customer images as it carries something from the past into the present and then shapes the expectations for future. In line with the event-time view and with a Nordic School approach, two genuinely customer-focused concepts for understanding how images evolve over time have been introduced: image heritage and image-in-use (Rindell, 2007, 2013). Image heritage is defined as "the consumer's earlier company-related experiences from multiple sources over time activated for interpreting company-related experiences in the present" (Rindell, 2007:167). Hence, image heritage acts as a frame of reference for the customer when interpreting company actions in the present time frame. For example, if a company has changed its branding strategy the old strategy may still influence customer perceptions about the company. The present time frame represents the very moment when the image construction process takes place, namely image-in-use. In conclusion, image heritage relates to images from past experiences, which influence the present image construction process—the image-in-use. As Zaltman (2003:14) concludes: "When consumers are exposed to product concepts, company stories, or brand information, they don't passively absorb those messages. Instead, they create their own meaning by mixing information from the company with their own memories, other stimuli present at the moment, and the metaphors that come to mind as they think about the firm's message."

Hence, what in a person's present images are de facto rooted in the past, still influencing or even directing interpretations of company actions in present situations? It is crucial for companies to get to know and understand their customers' image heritage, since companies' present activities on the market are interpreted and influenced by this heritage. Company activities and strategies may hence be interpreted quite differently that the company wishes due to customers' image heritage.

Image heritage is defined through its three dimensions: time span, content, and temporal focus. The time span of image heritage depicts the length, for example, 50 years, during which the customer has had company related experiences. From a company-view, activities along the time line may still influence how the company is perceived. Based on findings from my studies, long time spans are not rare, not even among young customers as they may learn or hear about the company from other people, e.g. parents. The second dimension, the content in image heritage, represents all previous customer experiences that may be recalled in various present contexts. Hence, this content dimension starts to emerge from the moment

when a customer experiences something in relation to the company for the first time. These initial impressions are usually crucial as they tend to last and colour the evolving image. It should be noted that only those experiences that the customer recalls form the content in image heritage. The third dimension, the temporal focus refers to certain experiences, or eras in the company's history, that have become more influential than others to the customer. For example, a certain period in a company's history, like activities in the 80's, may become the main era in the company's history that a specific customer uses as interpretation framework when constructing his/her image of the company.

Image heritage data is important to companies as they may support the company's present goals, or the data could reveal the opposite, which means that the company may need to mitigate the image heritage. The second concept, image-in-use, describes the very moment in time when the customer is engaged in constructing images. These "moments of truth" have been recognised as utterly important for company performance for quite some time (Carlzon, 1987; Grönroos, 2007), but the recognition that customers are influenced by their image heritage when evaluating the moment is rather new. Zaltman (2003) argues that the present images [image-in-use] reflects the interaction between context, the customer, the object, and previous experiences [image heritage].

Context and image

Service experiences are context bound, and value for the customer changes with the context in which it is experienced (Gummerus and Pihlström, 2011). Chandler and Vargo (2011:40) define context as "a set of unique actors with unique reciprocal links among them". This definition is useful in process oriented image research as it may help in answering when and where are images constructed, and which actors/influencers are present in these image construction moments? However, service research defines context on a micro-level, as a dyad that invariably includes the service provider (Chandler and Vargo, 2011), but customers can construct brand images also without the service provider, for example in social networks, on the basis of stories told by other people (Rindell, 2013). The notion of image-in-use (Rindell 2007, 2013) recognizes the central role of the context in brand image construction, as memories from prior brand encounters, present brand experiences, and future expectations merge in the present moment. Baron and Harris's (2010:518) proposed that 'from a customer's perspective, an interaction with any firm is only one of a myriad of interactions (or connections) that influence their consumption experience'. In our study (Rindell and Iglesias, 2014), we found that not only physical (location) and psychological (social) circumstances but also regarding customers' activity processes ('when I am having breakfast/socializing with friends...') are relevant to image construction processes. Hence, insights on the temporal and contextual dimensions in customer images may provide new customer understanding within branding research.

The understanding and knowledge on temporal and contextual dimensions in customer images were developed in line with the Nordic School approach. However, further research on temporal, contextual, and dynamic views on customer images is needed.

DISCUSSION

This chapter discussed the Nordic School approach on branding, mainly reflecting on the question, “How does a Nordic school approach influence how we understand and study branding and images?” In essence, two viewpoints have been discussed, namely subjectivist customer orientation (as opposed to organization focused views) and process orientation (as opposed to static views). Both viewpoints are in line with the Nordic school approach, but rare within mainstream branding. Service research has not paid much attention to the importance of customer image, but instead, so far, has been rather focused on customer value and service experience. However, I argue that clear synergy effects may be reached by fertilizing service research with latest image and customer brand relationship research with relationship understanding from service research.

In line with a Nordic School approach, time and context in image research and two genuinely customer-oriented concepts for understanding how images evolve were discussed, namely image heritage and image-in-use (Rindell, 2007). For companies, the relevance of image heritage lies in an understanding of what in the company’s history may still influence customers’ image construction processes in present. Therefore, gathering customer understanding involves more than just mirroring the company’s latest branding strategies and operations. Rather, companies benefit from getting involved in customer processes and situations in which customers construct their images and in those contexts develop their customer understanding and dialogue with the customer (Rindell and Iglesias, 2014). Therefore, questions like ‘how and with what content is our brand present in customers’ network, childhood, work-life, after-work, mundane personal life, holidays and in celebrations are important examples of contexts. The question is relevant concerning individual customers, as well as from a social or network viewpoint, and also on various levels of brands like the product or corporate level and in relationships like B2C and B2B, C2C and C2B. In summary, Table 1 summarizes this chapter and presents avenues for branding and image research based on the Nordic School approach.

Table 1. A summary of branding research based on a Nordic School approach

Research field within branding	Focus	Traditional research question	Research questions based on a Nordic School Approach
Organizational identity	The organization	Who are we as an organization?	“Multiplicity of identities in an organization; how to balance between these identities” “How do customers influence identity development over time” “How to understand the multiplicity of identity dynamics within an organization”

Branding/corporate identity	The organization	How should we present ourselves to various stakeholder groups?	“How does a theoretical branding model look when considering a customers’ dynamic image construction processes” How to manage the tension between intended and realized branding”. “What do companies learn when adapting branding strategies to market dynamics” “How to manage the tension between intended and realized branding”. “How can companies support evolving customer brand images in customer contexts”
(Corporate) brand images	The customer	How do customers perceive the company and its products and services	“Image dynamics – how and why do images change” “Customers’ brand image and meaning construction processes in various contexts over time—how can a company participate and influence customers in these processes” “How does customer-brand relationships develop over time” “Various forms of brand relationships like brand attachment, brand avoidance and brand ignorance” “Image evolvement over time (image heritage), what do customers remember and why, what do customers integrate in their brand images (various sources and contexts over time)”

New avenues for research with a Nordic school approach could be opened by moving from the individual level to a social level, such as families, communities, and professions. Companies need hence new tools, and systematic effort allows them to identify both historical perceptions and customer contexts in which the brand is present. Such efforts could reveal opportunities for the company to participate in customer activities.

To sum up, I propose that a Nordic School approach would transfer the focus on customers’ brand images and meaning construction processes in various contexts over time and on how the company could participate and influence the customer in these processes. A Nordic School approach would then have a clear contribution not only to strategic branding theory but also to practical management approaches.

However, branding research is not the only field that could benefit from a Nordic School approach. The Nordic School approach (and service research in general) could benefit from considering customer images in various service-related topics and contexts. Additionally, just as image construction takes place outside the control of the company, so do service processes that exist outside the company’s sphere in the customers’ context bound processes.

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BRAND PACKAGING AS A VISUAL CUE IN A SERVICE ENVIRONMENT

Hannele Kauppinen-Räsänen and Outi Uusitalo

Imagine stepping into a retail store with a shopping list in your hand: apples, tomatoes, shampoo, washing powder. The very moment you step into the store, the busy scene lures all your senses with its chatter of other customers, softly playing background music, aromas of fresh vegetables, and scents of detergents. Most of all, the rich scene vivifies your sight with different visual cues consisting of various colours, textures, sizes, and shapes. This multifarious environment presents several challenges for the customer, but offers great potential for both the retail and brand owners. This chapter takes the approach that the visual appearance of brand packaging acts as an important cue to guide the customers' brand choices in the store. However, the brand packaging not only serves as the "voice" of the brand at the point of brand choice but also as an experiential component of the service environment. The empirical study investigates how consumers react to different types of food packages.

INTRODUCTION

Service environments, such as retail stores, are designed to stimulate customers' senses (Hultén, 2012). These senses – sound, smell, touch, taste, and sight – serve multifarious functions and influence customers physically, cognitively, socially, and emotionally (Bitner, 1992; Soars, 2009). In essence, a "good" retail management practice accounts for the various senses and their interactions in the design of the service environment (Hultén, 2012; Soars, 2009). Accordingly, service environments that positively stimulate one's senses have the potential to increase retail store appeal, influence customers' moods, and positively impact brand and quality evaluations and purchase intentions (Bakamitsos, 2006; Krishna 2006, 2012). In this way, the service environment has the potential to enhance the customers' shopping experience and the customer service it provides (Grönroos, 2007; Soars, 2009).

Customers' senses are stimulated by various cues in the physical surroundings of retail stores. The role of the senses, particularly sight, is incorporated in the design of brand packaging, which is an essential point-of-purchase stimulus in the service environment (Kauppinen-Räsänen, 2014; Law, Wong and Yip, 2010). The evidence suggests that 70% of all brand choices are made in store (Inman, Winer and Ferraro, 2009), and up to 90% of customers make a purchase decision based on visual examination of the front of the package (Orth, Campana and Malkewitz, 2010).

This study takes the approach that brand packaging is part of the service environment and that the visual appearance of brand packaging not only serves as the "voice" of the brand at the point of brand choice, but also as a means for contributing to customer experiences. The underlying premise is that consumer brand packaging preferences may at the point of brand

choice induce a positive packaging experience, as contribute to a memorable brand experience, and enhance a unique shopping event, thus resulting in a favourable overall service experience. This approach is supported by the recent studies that have stressed that packaging has a “voice,” particularly when the consumer is undecided about which brand to buy; it plays a critical role because it resonates emotions and communicates (e.g. brand meanings) to the consumers explicitly at the moment of brand choice (Kauppinen-Räsänen, 2014). Löfgren (2005) calls the point of brand choice “the first moment of truth,” emphasising the role of packaging as a silent salesman. Hence, this moment is an interaction with the brand—a touchpoint—where the brand packaging performs a set of tasks. Some of these tasks may have immediate brand-related effects, such as brand choice evoking brand association and contributing to the perceived brand image or long-lasting brand experience, while others may offer spontaneous experiential benefits like the shopping or service experience. The approach of the study also leans on studies evidencing packaging experience (Holmes and Paswan, 2012), brand experience (Brakus, Schmitt and Zarantonello, 2009), shopping experience (Law et al., 2010; Soars, 2009), and even pre-consumption experience in store (Clement, 2007; Schifferstein et al., 2013). Indeed, past research findings support the potential of sight and the effect of brand packaging’s visual cues for executing such tasks (Clement, 2007; Kauppinen-Räsänen, 2014; Law et al., 2010; Orth et al., 2010); however, these cues have been neglected in scholarly research. Hence, the approach of the current study not only provide research avenues but also serve managerial interests, as the strategic use of visual cues is one means for winning over indecisive consumers and evoking experiences (Kauppinen-Räsänen, 2014).

This study was executed by exploring the effect of visual cues on consumer packaging preferences. The focus is on food packaging, which has been acknowledged as an important brand-related stimulus that influences food behaviour in retail stores (Deng and Srinivasan, 2013). One specific aspect of packaged food brands is that the packaging often mirrors the packaged food. Past research has concluded that these images (pictures or illustrations) affect brand beliefs, such as those related to product taste, and they also have an impact on brand evaluation (Wang, 2013), particularly for food products that have intrinsic features like taste that are essential for the consumer. One topical issue in the food industry is the actual visibility of the food, yet it appears to have received little scholarly attention (Deng and Srinivasan, 2013). The current study investigated how food visibility, along with other packaging factors, such as colour and shape, influence customer preference for food packages.

Current food retailing is mainly based on self-service, which means the practice of serving oneself, and the roles of food packages are primarily to promote and sell the brand and carry out emotional and communicative tasks in the service process (Grönroos, 2007). However, in the current study, the authors suggest that brand owners may benefit from taking a wider view to the experiential benefits of brand packaging, while retailers may profit from understanding the power of brand packaging and its potential to affect retail branding. With support from past studies, this study suggests that understanding the influence of food packaging’s visual cues is of great importance, and the packaging also has a central role in

consumers' decision making (Brommer, Stratmann and Quack, 2011; Kauppinen-Räsänen, 2014).

VISUAL CUES IN THE PHYSICAL SURROUNDINGS

Food retail stores' physical service environments provide a rich array of various cues (interior design elements, stimuli, and in-store marketing activities), many of which have been carefully selected to influence customer behaviour (Kauppinen-Räsänen, Owusu and Bamfo, 2012; Kauppinen-Räsänen, Rindell and Åberg, 2014b; Law et al., 2010; Liljander, Polsa and van Riel, 2009; Soars, 2009). Through these cues, the physical surroundings are influential in communicating the retail store's identity to the customers and in shaping in-store perceptions like quality and customer satisfaction with the service (Bitner, 1992). Accordingly, current research highlights that a pleasant service environment has the potential to increase a retail store's appeal and affect consumers' mood. Mood is related to brand and quality evaluations and assists in creating images of brands and retail stores (Bakamitsos, 2006). Hence, interior design elements, stimuli, and in-store marketing activities that appeal to the current emotional needs of the shopper may particularly affect in-store behaviour (Wright, Newman and Dennis, 2006). Appealing and pleasant environments may trigger the customer to spend more time in the store, which not only promotes purchasing behaviour but also affects the amount of money spent in the store (Soars, 2009).

Soars (2009) highlights the power of consumer senses and the essence of taking them into account in retail management practice by stressing that "Sensory stimuli can influence environments, improve the shopper experience and change the nature of behaviour in ways beyond our consciousness" (p. 286). Soars (2009) also emphasises the role of the senses as "the more sensory an experience, the more engaging it will be" (p. 286). Similarly, the sense of sight is critical because the visual appearance of service environments enhances the attractiveness of the store (Law et al., 2010).

VISUAL CUES FOR PACKAGED FOOD BRANDS

The current study is based on the underlying premise that brand packaging has the potential to affect consumers in store as it produces experiences through its sensory cues. Hence, consumer brand packaging preference may at the point of brand choice induce a positive packaging experience, a memorable brand experience, a pleasing shopping experience, and even a favourable service experience. Accordingly, packages are not only the most important brand-related stimuli, but they also constitute an in-store marketing activity and are therefore part of the physical environment, which influences consumers in retail stores (Deng and Srinivasan, 2013).

Visual cues have various functions and multifaceted influences (Orth et al., 2010). In general, these cues are found to serve well, particularly when aligned with other sensory cues. However, in conflicts between visual and other sensory cues, visual cues tend to be favoured

(Posner, Nissen and Klein, 1976). Visual cues capture consumer attention in retail stores (Creusen and Schoormans, 2005). Visual attention in turn is a prerequisite for any information processing, and it affects emotional and/or cognitive perceptions (Kauppinen-Räsänen, 2014). Visual cues also have an impact on brand evaluation and influence brand awareness, brand image, and brand preferences (Bloch, 1995; Grossman and Wisenblit, 1999; Kauppinen-Räsänen, 2010, 2011; Madden, Hewett and Roth, 2000). In addition to influencing brand decisions, packaging's visual cues may also create product expectations (Kauppinen-Räsänen and Luomala, 2010) because product quality, such as that related to food, is difficult to assess prior to consumption (Linn et al., 2012; Lehtola et al., 2008). Hence, the visual cues of brand packaging form product perceptions, influence product value, indicate product quality, and also shape expectations of product quality (Bloch, 1995; Creusen and Schoorman, 2005; Creusen, Veryzer and Schoormans, 2010; Holmes and Paswan, 2012; Kauppinen-Räsänen and Luomala, 2010; Niemelä-Nyrhinen and Uusitalo, 2013; Venter et al., 2011; Honea and Horsky, 2012). Further, attractive packaging is preferred in general (Rettie and Brewer, 2000).

One specific aspect characterising food choice in particular is that food products are expected to taste good (Wells, Farley and Armstrong, 2007). Still, consumers' food choice behaviour in-store cannot be explained by any univocal choice strategy. Instead, their actions are driven by multi-cue products and multi-options, and these actions can vary due to task characteristics (Bonaiuto et al., 2012). On the one hand, food choice is a complex process influenced by both sensory and non-sensory cues, like taste and price (Ares and Deliza, 2010; Koutsimanis et al., 2012). Some consumer choices are assumed to be conscious and to involve rational processes, such as when consumers evaluate a set of cues in an attempt to optimise benefits or minimise losses (Elrod, Johnson and White, 2004). In these cases, intrinsic product cues, such as taste, or extrinsic price cues could contribute most significantly to the brand choice. At the same time, food choices are challenged by consumers' limited ability and capacity to process information. For example, research has found that the use of nutritional information is limited as it is perceived to be complex (Roberto et al., 2012; Milosavljevic and Cerf, 2008). In such cases, visual cues impact brand choice (Kauppinen-Räsänen, 2011; Kauppinen-Räsänen et al., 2012). On the other hand, food products are regarded as low-involvement products as they are purchased routinely, indicating that limited effort and time are devoted to searching or purchasing food (Sehrawet and Kundu, 2007). Research suggests that choices involving such products are particularly affected by visual package cues (Silayoi and Speece, 2004, 2007). Underwood (2003) further explained that these cues convey visual information, which is processed faster and easier than other types of information. Next, we will discuss our empirical study, which investigates consumer reactions to different types of visual cues embedded in food packages.

METHODOLOGY

The aim of the study was to explore the effect of visual cues on customer packaging preferences. More specifically, the study investigated how food visibility influenced

customers' preferences for food packages along with other packaging factors, such as colour and shape. The study was executed by designing a conjoint study, which is a useful tool to investigate the effect of different package cues on customer preferences (Deliza, Rosenthal and Silva, 2003). The basic premise is that preference statement or customer choice is a behavioral response. While brands, products, and services consist of several attributes (Green and Srinivasan, 1990), the tool overcomes the problems associated with single-cue studies. The underlying idea is that consumers' perceptions can be broken down into a combination of part-worth utilities, or benefits, provided by a range of attributes, which a consumer makes trade-offs between. Thus, the analysis identifies which combination of attributes provides the highest utility when the consumer evaluates brands, products, or services. The analysis also establishes the relative importance of the various attributes in terms of their contribution to the total utility.

In the current study, the conjoint tasks were performed as a so-called traditional conjoint using the additive compositions rule to investigate main effects but not interaction effects. We assumed that the various part-worths were independent of each other. We used a full-profile method to design the package profiles, which means that all attributes were represented in the stimuli. The study employed an orthogonal design, where the impact of one attribute was measured independently of the other attributes (Gustafsson, Ekdahl and Bergman, 1999). SPSS 18 was used for evaluating the rank-order data, as well as applying Orthoplan. The conjoint method available in SPSS has been extensively used by current studies (Hailu et al., 2009; Silayoi and Speece, 2007). Accordingly, the estimation technique available in SPSS (i.e. ordinary least square) was used to estimate the part-worth for each attribute level so that the estimated rank-order of total utilities (or total worth) correlated as much as possible to the observed rank-order. SPSS was used for analysing the ranking data as well. Next, we will present the different stimuli used in the study, i.e. the food packages that the consumers evaluated.

Stimuli

To study the impact of food visibility, profiles were developed for a pumpkin soup, which had the specific characteristics of being a low-calorie food product. Package design is inherently multidimensional, involving a wide set of attributes (Underwood, Klein and Burke, 2001). In the current study, three attributes were investigated, and everything else was kept identical between the conditions. The design resulted in eight package profiles (Table 1) involving the following attributes: packaging colour (yellow-brownish/black-grey), food visibility (yes=illustration and transparent window enabling actual food visibility/no=food illustration and no window/), and packaging shape (low/high).

Table 1. Full profiles

Profile	Package Colour	Food visibility	Package shape
1	Black-grey	Yes	Low
2	Black-grey	No	Low
3	Black-grey	Yes	High
4	Black-grey	No	High
5	Yellow-brownish	Yes	High

6	Yellow-brownish	No	Low
7	Yellow-brownish	No	High
8	Yellow-brownish	Yes	Low

All the studied attributes and their levels were deliberately selected. For colour, yellow-brownish and black-grey scales were studied. Yellow-brownish attempted to mirror the colour of the packaged food and hence functioned as an iconic colour of the pumpkin soup (Kauppinen, 2004). This design strategy is commonly used for food packaging, such as with tomato sauces or bread. A current trend is for consumers to demand premium quality, and accordingly, food products are often promoted as such, including ‘chef’ or luxury quality products (Roberts, 2001). Due to this trend, the colour scale of black-grey was also selected as it is a symbolic colour of luxury (Madden et al., 2000; Kauppinen, 2004). In this study, it attempted to convey premium quality and superior taste of the food product.

As previously mentioned, a specific aspect of packaged food brands is that the packaging often mirrors the packaged food. In the current study, food was depicted through illustration. Product images have been found to serve various functions. Consumers use them as information cues under time pressure, as comparison cues for evaluation of competing brands, and as a means of hedonic appeal (Sehrawet and Kundu, 2007; Silayoi and Speece, 2004, 2007; Underwood, 2003). These illustrations may positively affect brand beliefs and evaluations and also offer experiential benefits (Underwood et al., 2001; Bone and France, 2001). In the current study, the food image was strengthened by using windows in the packaging, which made it possible to see the food. Interestingly, the transparency of food packaging or food displays through a window that permits gazing the food has received less scholarly attention (Deng and Srinivasan, 2013). One of the studies of food visibility in packaging context found that respondents used food images (photos or illustrations) for brand evaluation more often than the food’s actual appearance (Wells et al., 2007).

Two packaging shapes were tested, but the volume of the product inside remained the same. The shapes varied in height; one was smaller (shorter and slightly wider), while the other one was taller (longer and slightly narrower). In addition to the packaged food, which was new, the package material (100% recyclable) and the shape were both innovative. The packaging could be placed on the shelf in a leaning position to enable a visual point of sale, which was assumed to contribute positively to consumer preferences. Moreover, the packaging shape was designed to meet contemporary consumers’ search for convenience like eating-on-the-go (Brunner, van der Horst and Siegrist, 2010). Past research suggests that shape has an impact on consumer choices, which is partly explained by perceived volume (Folkes and Matta, 2004; Garber, Hyatt and Boya, 2009). Evidently, one challenge with studying shapes is that the variation of shapes is limited, yet Garber et al. (2009) suggest that tall packaging appears larger than short and square packages.

The prototypes of the two packages were produced by Lappeenranta University of Technology. The tested packaging covers were designed in accordance with the principles of conjoint design by a professional packaging designer. The eight profiles were illustrated as three-dimensional (3-D) pictures glued on thick cardboard and cut according to the desired

shape. The package shapes were presented by two prototypes of the two different shapes. The profile cards are visualised in Appendix 1. Note that the involved Finnish Food Company's name was apparent on the covers at the time of the data collection in order to imitate actual brand packaging. The name has for the sake of this chapter been obscured from the profile cards.

Sample and procedure

The 97 respondents were selected randomly from visitors at several shopping malls in the capital area of Finland. Their ages ranged from 19 to 31 years old, and 65% of them were female. All participants had normal or corrected-to-normal vision and full colour vision. The participants received no incentive for participating in the study.

The experimental profile cards were placed on a table. Participants were informed that the shape of the cards varied due to the presence of two prototypes. No participant opposed this statement. The participants were asked to choose the most preferred package for a light pumpkin soup. Then they were requested to choose the second most preferred package. The process continued until the participants had ranked the eight packages from the most preferred package to the least preferred one. Each session lasted up to 15 minutes. The data collection was done in good spirits; the profile cards were perceived as easy to rank, and none of the respondents had problems with the task.

ANALYSIS AND RESULTS

Based on the conjoint analysis, the utilities and relative importance for each attribute and the attribute's level were determined. Table 2 shows the estimated part-worth and the relative importance of each attribute. The high value for Kendall's tau indicates that the conjoint models fit the data very well.

The split half method was used to test the validity of data and the judgment of saturation point. The high value for Kendall's tau (1.000) shows that the conjoint model fit the data very well.

Table 2. Conjoint analysis results- relative utilities and importance

Attribute	Level	Utility	Rel. imp. (%)
Colour	Yellow-brownish	-.176	33.5
	Black-grey	.176	
Food visibility	Yes	1.14	43.7
	No	-1.14	
Shape	Low	.359	22.8
	High	-.359	
Kendall's tau		1.000	

The data shows that the visibility of food was perceived as the most important attribute (43.7%). The colour was the second most important attribute (33.5%), while the innovative shape scored lowest (22.8%).

A closer look at the utility score revealed that our participants preferred to view the actual food instead of only evaluating the new product based on the product image. This finding supports the apparent lifestyle trend in food packaging design, which implies that consumers are calling for consciousness, simplicity and transparency, which here means that they prefer to see the food product inside the packaging instead of viewing food pictures only. This also contradicts the findings by Wells et al. (2007), who concluded in their study that gazing at the food was not preferred. They found a preference for photos as they indicated food quality and were perceived to be more reliable than the actual food display. The appearance of the food may change after the food is heated up, so some types of food may be perceived as more appealing when warm than when viewed through the packaging. Deng and Srinivasan (2013) explained in a recent study that the need for food salience is most likely related to food type, and that the demand for gazing at the food most likely increases for visually attractive food. Low involvement choices and choices characterised by impulse were also found to be guided by food images. Hence, the findings of our study could imply that food illustration supported by food gaze strengthened brand beliefs (e.g. taste) and evaluation.

The scores for colour indicated that the black-grey colour scale was valued more than the yellow-brownish colour scale. The preference for a black-grey scale is in line with the contemporary customers' search for premium quality and luxury (Kauppinen-Räsänen et al., 2014a; Roberts, 2001). Interestingly, the core product of the study, a convenient soup to be heated up in a microwave oven, did not inherently represent a luxurious product type. However, the scores prove the subjective nature of the concept of luxury (Kauppinen-Räsänen et al., 2014a), as these experiences are desired in everyday practices as well, such as during work lunches.

In our study, the shorter packaging shape scored better than the taller one, which implied that the perception of a smaller package was preferred (Garber et al., 2009). As pointed out earlier, Garber et al. (2009) suggest that tall packaging is preferred in general as it appears larger. The result of the current study may relate to the core product, which was categorised as a low-calorie food product. Accordingly, the verbal cue of lightness may have been enhanced by the smaller packaging shape. Indeed, this finding suggests that the congruence between visual and verbal packing cues deserves scholarly attention.

CONCLUSIONS

This chapter described how brand packages' sense cues shape consumer preferences. While the five sense cues are present in service environments and influence consumers physically, cognitively, socially, and emotionally (and eventually, behaviourally), this chapter concentrated on examining how particular visual cues affect preference formation in the context of brand packages of food products.

The service environment entails a massive volume of sense cues, and accordingly, consumers perceive cues via various senses, many simultaneously. In essence, experiences are explicitly lured by senses, and “the more sensory an experience is, the more engaging it will be” (Soars, 2009:286). Indeed, this issue is essential to acknowledge and ultimately to manage in retail stores, as consumers have various experiences. These experiences are influential as they determine how long consumers stay in the store, how much they purchase, and how they form various images of products and services. Hence, it is important to understand how consumers perceive and behave based on these cues in order to—if not to manage—provide potentials for the customers’ service experiences.

This chapter highlights the importance of acknowledging brand packages and their visual cues as part of retail stores’ physical surroundings. The current study stressed that brand packages form an important constituency of the visual scenery in food retail stores, and they influence consumers’ preferences and purchasing behaviour and potentially also offer experiential benefits. Research has pointed out that consumers actively use these cues for brand evaluation and brand choice in both a conscious and an unconscious manner (Bloch, 1995; Brakus et al., 2009) to evaluate the services provided by the retailer. Hence, this study was based on the premise that consumer brand packaging preferences may at the point of brand choice induce a positive packaging experience; they also can contribute to a memorable brand experience and enhance a positive shopping experience. At best, these factors contribute to a positive overall service experience.

While focusing on visual cues, the findings of our study support consumers’ desire for holistic brand packaging experiences. This means that the various packaging cues should convey a coherent meaning, although they may perform various tasks. The congruence between visual and verbal packaging cues deserves scholarly attention, but this concerns various sense cues as well. All these cues convey meanings, but they also have the potential to evoke emotional responses and actual purchasing behaviour. Measuring the effects of sensory cues was, however, outside the scope of this study, which is a limitation that should be taken into consideration in future studies. Indeed, the findings of the study also led us to propose that brand packaging’s visual cues function as experience cues. This issue also deserves additional scholarly attention and should be studied for different types of cues—visual and verbal—and for various types of products (e.g. for those being inherently experiential and hedonistic, like ice cream and for those being more functional, such as frozen peas or onions). This idea is supported by the study conducted by Tuorila et al. (1998), which offered evidence that the consumer shows more interest in the product and may choose to buy it, if the package evokes high hedonic expectations. Finally, the effect of packaging cues of competing brands on brand evaluation could reveal interesting insights, like deviation and harmony, for the means of retail management.

Any study attempting to contribute some new insights to the current knowledge base or to invoke new thoughts needs to ask the corresponding question: “What can service marketing and management learn from this study?” With this paper, we call attention to the visual environment of the service setting. Contemporary customers are increasingly seeking an experience in addition to simply making a purchase, and they are willing to pay for it.

Evidently, sense cues, and visual cues in particular, play a crucial role in the experiential service environment. In addition to considering such physical aspects in the surroundings as interior design elements like décor and furnishing, various in-store marketing activities like point-of-sale displays, advertisements, and point-of-purchase stimuli, such as brand packages, should be acknowledged as they also contribute to the service environment. Our findings imply that the contemporary consumer desires consciousness, simplicity and transparency, but also everyday experiences perceived as authentic and luxurious. Indeed, these issues deserve closer investigation, not only as a means of packaging design and branding, but for the sake of positive shopping and service experiences as well. The design of the brands' packaging is out of the scope of the retailer, but it is still strategically an essential and influential issue to be aware of as a means of retail branding and potentially also "good" retail management practice aiming at meeting customers' current needs.

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Appendix 1. Package profiles



Package profile 1



Package profile 2



Package profile 3



Package profile 4



Package profile 5



Package profile 6



Package profile 7



Package profile 8

SOCIETAL VIEWS ON SERVICE

SERVICE WORKER BEHAVIOR AND ITS SPILL-OVER EFFECTS

Magnus Söderlund

To date, most research on the service worker's behavior in the service encounter has been carried out within the frame of a managerial decision-making paradigm, thus focusing on how an offer can be improved from the individual service firm's point of view. This paper, however, intends to show that service researchers who examine spill-over effects can make contributions to explanations of social change in contemporary society, which is likely to make service research more relevant outside its own field. More specifically, the paper explores the potential for the service worker's behavior to spill-over on the customer's behavior outside service encounters, in the same sense as advertising and media consumption are assumed to have an impact on life at large. The main argument is that service encounters provide the customer with repeated themes in service worker behavior, and that these themes create service scripts with a content that spills over on the customer's behavior beyond the service encounter itself. Prolonged exposure to the service worker's relational behaviors, commercial behaviors, and justice-inducing behaviors, it is argued, are particularly likely to have an impact on customer behavior.

SERVICE WORKER BEHAVIOR AND ITS SPILL-OVER EFFECTS

A substantial body of research shows that the customer's face-to-face interaction with the service worker is a highly potent source of influence on the customer's evaluations and behaviors. As research accumulates, the list of specific antecedent service worker behaviors is becoming longer and more detailed. Greetings, smiles, listening, courtesy, and eye contact are only some examples. How come, then, that such behaviors can have an impact? The traditional service research explanation rests on the notion that services have specific characteristics – such as intangibility and inseparability – which makes the individual service worker particularly salient and thereby a prominent causal agent. One may add that human beings are more or less programmed to pay attention to other persons, and that face-to-face interaction is characterized by a high level of information richness (Daft and Lengel, 1986; Dennis and Kinney, 1998).

To date, however, the service literature has focused on the *micro-level effects* of the service worker's behavior. That is to say, the effects comprise the customer's reactions to the specific service worker (e.g. the attitude toward the service worker) or reactions to the firm in which this service worker is employed (e.g. customer satisfaction and perceived service quality). This focus is not surprising, given that most service research is carried out within a managerial decision-making paradigm and is thus concerned with improving the service firm's offer (Tronvoll et al., 2011). The same focus exists in consumer behavior research (Firat, 1985) and in marketing research in general, in the sense that these fields predominantly deals with micro concepts (Tadajewski, 2010) and tactical issues (Deshpandé,

1999). This is also the level of analysis that dominates in marketing courses taught at business schools.

Given the powerful effects of exposure to human beings, and given that customers interact over time with many service workers from different firms, however, it is likely that service worker behavior in service encounters (which are virtually inescapable in contemporary society), and in the aggregate, spill over to the customer's life at large. That is to say, it may be assumed that the accumulation of experience with service workers' behaviors is likely to affect the customer's behavior in social relationships outside service encounters. For example, as indicated by research on the micro level (e.g. Söderlund and Rosengren, 2008), encountering a smiling service worker has an impact on the customer's emotions vis-à-vis this service worker. Yet repeated exposure to smiling service workers, day in and day out, may have an impact also on the customer's own smile behavior in social interactions beyond a service encounter context.

Spill-over effects of this type are assumed to exist in several areas, such as advertising (Leiss, Kline and Jhally, 1986; Pollay, 1986; Pollay and Gallagher, 1990) and media consumption (Browne, 2005; Bushman and Anderson, 2001; Gerbner et al., 1980; Johnson, 2005). They are particularly likely to occur when certain themes or activities are repeated. With regards to service encounters, many service worker behaviors, not only smiles, are indeed repeated in a systematic way in the contemporary market place. Yet their macro-level effects have not been discussed in the service literature.

The purpose of this paper, then, is to highlight the potential for spill-over effects of service worker behavior in service encounters. My main focus is on spill-over effects in terms of the same behavior as service workers display, and the assumption is that repeated exposure to certain service worker behaviors will make these behaviors more likely to occur in the customer's life outside service encounters. This impact, I argue, may follow two paths. First, the customer imitates the service worker's behavior and carries out the same behavior him/herself. Second, the customer forms norms with the service worker behaviors as reference points, and these norms "leak" in the customer's social encounters and influence the behavior of the customer's interaction partners so that their behaviors become aligned with service worker behaviors. It should be noted that empirical studies of spill-over effects in this sense are in short supply and require very different approaches compared to the standard micro-level study. For example, many spill-over effects are likely to occur only after repeated exposure to certain stimuli. Hence this paper is a conceptual and speculative attempt to broaden the usual way of dealing with the consequences of service worker behavior – and thus an attempt to stimulate future research.

The paper should be seen as a response to authors who have called for more research on the societal consequences of (a) the marketing of services (e.g. Ostrom et al., 2010) and of (b) marketing activities in general (Deshpandé, 1999). Moreover, the spill-over issue has in fact been addressed with respect to other marketing activities, such as advertising and stealth marketing, so it is high time that a similar discussion is carried out also within service marketing – particularly when this field appears to be in the process of re-conceptualizing

itself vis-à-vis marketing in general and is in search of arguments as to why researchers and practitioners in other marketing fields should pay attention to it (cf. Vargo and Lusch, 2004). In addition, it must be observed that most existing attempts to address societal consequences of marketing activities – particularly in the case of advertising – have focused on *negative* consequences. The net result is a very gloomy picture of the contribution of marketing to society. Who would want to marry a marketer in the light of all the evil he or she produces (cf. Farmer, 1967)? Yet, as I will make an attempt to argue in this paper, the potential for spill-over effects of the service worker's behavior in service encounters comprises several *positive* effects. Therefore, the purpose of this paper is to somehow balance the picture of marketing's macro-level contributions to society.

The paper is organized as follows: I begin by examining the literature on spill-over effects of other marketing activities than the service worker's behavior (and similar effects of some non-marketing activities). In the next part, I turn to conceptual reasons why also the behavior of the service worker in the service encounter has a potential to produce spill-over effects. The main reasons, it is assumed, is that prolonged exposure to service worker behaviors results in mental representations of such behaviors, scripts, which comprise specific behaviors "tagged" with a valenced charge in the customer's memory, and that such scripts are likely to serve as a source of inspiration for the customer's own behavior vis-à-vis others and to provide the customer with standards for what is expected from his or her interaction partners. Then, some specific service worker behaviors particularly likely to produce positive as well as negative spill-over effects on customer behavior are examined. The final part of the paper contains a discussion of issues for further studies.

SPILL-OVER EFFECTS OF OTHER ACTIVITIES THAN THE SERVICE WORKER'S BEHAVIOR

Laczniak and Murphy (2006) argue that almost any marketing action can have unintended side effects. However, one specific marketing activity – advertising – has been discussed more often than others in terms of its capacity to produce such effects. In this section, I examine argument from the advertising literature, and in the next step I turn to some other marketing activities – and to some non-marketing-related activities – which have been subject to a similar discussion of side-effects.

With respect to advertising, the list of its alleged sins is long and limited only by the creativity of the advertising critics (Kirkpatrick, 1986). Pollay (1986), for example, who is making himself the spokesperson of many critics, has argued that an individual ad may not have any particular influence, yet advertising in the aggregate is likely to have many and profound effects. He refers to them as "unintended social consequences", "the social byproducts of the exhortations to 'buy products'", and "indirect effects". In his case, the (long) list of specific effects is dominated by negative consequences. Among them are materialistic beliefs, distrust of authority, compulsiveness to consume, reduced perceived responsibility for consequences, greediness, selfishness, reinforcement of social stereotypes, trivialization of language, loss of self-esteem, envy, anxiety, sexual preoccupation,

powerlessness, frustration, and criminality. Thus, Pollay's (1986) argument is that advertising influences not only our purchasing and consumption behavior, but also the larger domain of our social roles, language, goals, values, and the sources of meaning (cf. Pollay and Gallagher, 1990). Later, Pollay added some positive consequences, yet he argued that advertising does more to promote sins than virtues (Pollay and Mittal, 1993). A similar discussion appears in Leiss et al. (1986). Advertising, they argue, is not just a business expenditure undertaken in the hope of moving some merchandise off the store shelves – it reaches deeply into our interpersonal and family relations, our sense of happiness, contentment, and sex roles. And negative societal effects also dominate in the Leiss et al. (1986) discussion – such as an increased concern with consumption, discontent, and distorted values.

Another example is Schudson (1993), who is concerned with advertising as an institution and its effects. In his view, advertising is shaping values, choices and patterns of behavior in life at large; it promotes a culture “which has worked its way into what we read, what we care about, the ways we raise our children, our ideas of right and wrong conduct, and our attribution of significance to ‘image’ in both public and private life”. And as in Pollay (1986) and Leiss et al. (1986), Schudson's (1993) list contains many negatively charged aspects – for example, dissatisfaction, anxiety, boredom, disinterest for others, and an overvaluation of commodities as means for acquiring love and friendship.

Similar reasoning exists also at a more “local” level when certain forms of advertising are assumed to lead to specific societal effects. One example is Waide (1987), who claims that exposure to associative advertising (i.e., messages in which one particular offer is associated with desirable non-market goods, such as friendship, esteem, and power) leads to consumers neglecting non-market methods to satisfy desires. Because non-marketing methods call for wisdom, compassion, skill, and “a variety of virtues”, this neglect makes us “worse and, quite likely, less happy persons”. Waide's suggestion is therefore that one should expose oneself as little as possible to such advertising. As a specific advice, he recommends banishing commercial television and radio from one's life.

As for other marketing activities likely to produce spill-over effects, several authors have discussed covert marketing (sometimes labeled stealth marketing), which refers to a set of activities with a deceptive effort to hide the selling intent. Incidentally, they are on the rise, so Waide (1987) would run into problems if he should insist on isolating himself from traditional media channels as a means to avoid exposure. In any case, specific examples are the placement of products in movies, infomercials, corporate-crafted blogs that appear to be authored by consumers, masked-art messages, and faked word-of-mouth by paid senders (Balasubramanian, 1994; Martin and Smith, 2008; Rotfeld, 2008). When consumers learn the true nature of these activities, particularly after realizing that they have been duped, the result may be reduced self-esteem, increased skepticism, and distrust vis-à-vis others (Martin and Smith, 2008). Indeed, the sanctity of social relationships appears to be at stake: “Ultimately, how desirable is a world in which people must question whether social interactions with even their closest friends are really just corporate-sponsored attempts to sell something?”, is a question asked by Martin and Smith (2008:50).

The same type of reasoning – pointing to the potential, in the aggregate, for spill-over effects on life at large – also appears in discussions of media consumption. The vast media violence literature is a sterling example when authors argue that repeated exposure to media violence is likely to foster aggression and beliefs that the world is a dangerous place (Browne, 2005; Bushman and Anderson, 2001; Gerbner et al., 1980). Evidence of effects on the viewer's own violent behavior does also exist (Johnson et al., 2002). A similar example is the literature on consuming media content with sex; it has been claimed that prolonged consumption of pornography enhances distorted views of sexuality, fosters presumptions of popularity for less common sexual practices, increases acceptance of pre- and extramarital sexuality, spawns doubt about the value of marriage, trivializes rape, and enhances sexual callousness (Zillmann, 1986). Again, evidence exists for effects on consumers' own sexual behavior (Brown et al., 2006; Pardun, L'Engle and Brown, 2005; Rogal and Tydén, 2003). The same pattern has been obtained for media consumption in terms of exposure to overweight and skinny characters in stories and viewers' eating behaviors (Harrison, 2000).

Many other examples exist in terms of spill-over-effects that may be assumed to mediate behavior. For example, massive doses of TV series of the *Seinfeld* type, it is argued, make us more intelligent (Johnson, 2005), while many hours of exposure to the amateur content on the Internet – particularly Wikipedia, MySpace, and YouTube – is undermining our views of truth and belittles experience and talent (Keen, 2007). With regard to the Internet, Watson (2011) has claimed that heavy use remodels our brains; it fosters less focus, less concentration, and more interruptions in cognitive activities. The result, according to Watson, is less deep thinking, which means reduced decision-making quality, more mistakes, and loss of “the big picture”. Similarly, it has been argued that heavy consumption of low art, produced by the “culture industry”, produces anti-enlightenment and impedes the development of autonomous, independent individuals who judge and decide consciously for themselves (Adorno, 1991). A recent example of the same type of reasoning is Pinker (2011), who argues that education and other institutions have become increasingly scientific over the years, leading to an accumulated exposure to the mindset of science for many persons. This promotes perspective taking, the ability to set aside immediate experience, and the capability to detach ourselves from parochial vantage points, which in turn leads to less violence in society.

Why, then, would there be spill-over effects? This is an under-theorized issue in marketing literature, because of its micro-level focus, and there is also an absence of frameworks linking micro and macro concepts (Tadajewski, 2010). Yet some clues are offered by Pollay (1986) in the advertising case: advertising in the aggregate, he argues, is likely to produce spill-over effects because advertising is pervasive, repeated, and stems from professionals equipped with many sophisticated tools of influence. Pollay's factors may be seen as prerequisites for spill-over effects, rather than explicit causal mechanisms, and I will use them as such in an attempt below to provide additional conceptual arguments for the potential of spill-over effects stemming from service workers' behavior in service encounters. As already indicated, these additional arguments are related to the development of scripts in the consumer's mind.

THE POTENTIAL FOR THE SERVICE WORKER TO PRODUCE SPILL-OVER EFFECTS

The main arguments in the following sections are that (a) service encounters are pervasive in contemporary society, and that (b) service worker behaviors in such encounters comprise the repetition of certain themes. This in turn makes it likely that (c) the accumulation of experience of the service worker's behavior results in service scripts in the customer's mind, serving as a repertoire of norms and possible behaviors, and that (d) the customer is likely to use norms and behaviors from service scripts when he or she is engaged in social interactions beyond a service encounter context. The expected net result is an increase, in the daily life of the customer, of behaviors stemming from service workers.

Service encounters are pervasive

Similar to advertising (Pollay, 1986), service encounters are pervasive, particularly in a market economy characterized by division of labor between producers and consumers. Indeed, the contemporary consumer is participating in a large number of service encounters over time. How large is this number? No one seems to know. The lack of an answer is indeed an illustration of the dominant managerial decision-making focus in service research (i.e. a focus on the customer's relationship to *one* particular firm). It may be noted, however, that other marketing fields generate illustrative numbers – particularly as far as advertising is concerned, and many authors have made claims about the overwhelming number of commercial messages consumers are exposed to every day (cf. Rosengren, 2008). In any case, there is simply no possibility that the contemporary consumer can escape from being exposed to the behaviors of many service workers. And pervasive exposure should be seen as an important prerequisite for spill-over effects.

Certain service worker activities are repeated over time

Advertising researchers (and practitioners) believe that the repeated and consistent exposure of advertising themes is more effective in affecting micro-level customer behavior than a single exposure. This, of course, is one crucial assumption behind firms' use of advertising campaigns (as opposed to the use of a single ad) and integrated marketing communications, in which similar messages are delivered in various communication channels (Lee and Park, 2007). From a conceptual view, and in an advertising context, it has been argued, for example, that repetition serves to give consumers multiple opportunities to encode brand-related information (Keller, 2001), and that repetition leads to better recall and enhances the accessibility of a brand (Yoo, Bang and Kim, 2009). Moreover, repeated exposures facilitate opportunities for elaborative rehearsal and enhance the formation of brand associations (Braun-La Tour and LaTour, 2004). The "repetition-improves-learning-argument" is an implicit assumption in Pollay (1986), when he argues that the repetition of certain advertising themes (e.g. depicting material goods in ads as the source of happiness) is likely to produce spill-over effects (e.g. fostering a materialistic view of life). Similar "hours-of exposure-

arguments” are frequently used also in attempts to explain why media consumption can produce spill-over effects (e.g. Katz and Foulkes, 1962; Shanahan, 1995; Zurbriggen and Morgan, 2006).

As for service encounters, several service worker behaviors are repeated in a thematic way, because many firms have developed standardized recipes for what the service worker should and should not do when interacting with customers (cf. Ritzer, 2004; Tansik and Smith, 1991). Standardization of an extensive number of the service worker’s behaviors has been documented in the casino business (Austrin and West, 2005) and in call centers (van den Broek, 2004, Taylor et al., 2002). Standardization attempts have also reached full flower in many retail sectors, especially in retail chains (which are dominating the contemporary retail scene). Moreover, the core content of the standards is often shared between firms, because standards are transferred between firms as a result of benchmarking and other business intelligence efforts. For example, the attempts in the 1960s to standardize the service worker-customer interaction in one particular McDonald’s restaurant, by prescribing phrases such as “Thank you very much, and please come again”, have eventually become an important standard in the fast food industry (Love, 1995). Indeed, some authors, such as Ritzer (2004), depict the market landscape as increasingly uniform, because so many firms adopt a similar approach to service encounters. This development towards uniformity is also encouraged by the output from service researchers when research accumulates and is spread through business school courses and consultancy projects; many firms have become inspired by the same core findings in service research (e.g. the customer’s expectations should be exceeded and service failures should be dealt with promptly).

In the light of Pollay’s (1986) view that advertising is likely to have spill-over effects because it is professionally executed (and therefore, presumably, it is also more persuasive), it can be noted that many large firms’ service training programs – and indeed the work of academic service researchers – can be seen as professional activities.

In a service encounter context, however, it may be argued that the strict repetition of certain behavioral themes is unlikely to occur, or less likely than in an advertising context, because service workers are subject to variability (Hoffman and Bateson, 1997). Therefore, given that it is not the repeated encounter with service workers per se that is likely to produce spill-over effects, but the repetition of certain themes, one may be tempted to argue that thematic homogeneity does not exist with regard to service worker behavior and thus that a platform for spill-over effect does not exist. This argument, however, must be seen in the light of (micro-level) research stressing that repetition in terms of *variations* of the message is more effective from a learning standpoint than repeating an identical message (Schumann, Petty and Clemons, 1990; Yoo et al., 2009). For example, according to the encoding variability principle, exposure to information in different formats or media is likely to facilitate learning; variable encoding of information is assumed to result in multiple retrieval cues that improve retrieval ability and increase information accessibility (Keller, 2001). It has also been argued that repetition of variations of a message gets more attention, leads the receiver to form more associations, facilitates retrieval (Yoo et al., 2009), and forestalls tedium (Schumann et al., 1990). In other words, the exact repetition of a theme does not seem to be as effective for

learning as variations in the theme. This seems to imply that service worker behavior in service encounters do not have to comprise identical content over time in order to foster customer learning. Indeed, and somewhat paradoxical, the fact that the service worker's behavior is subject to variability may improve customer learning in relation to fully consistent service worker behavior.

The service script and its role in creating spill-over effects

In general, given the individual's repeated experience of taking part in social interactions in a particular setting, it is assumed that the individual develops mental representations, scripts, for understanding interaction in the setting (Gioia and Poole, 1984; Gioia and Manz, 1985). Such scripts encompass the typical sequencing of events, categories for typical behavior and the valence of outcomes of this or that behavior (Gioia and Poole, 1984; Lord and Kernan, 1987). Scripts help us in interpreting others' behavior and they aid us in generating our own behavior. Indeed, much of human social behaviors is based on scripts (Gioia and Manz, 1985; Lord and Kernan, 1987; Tansik and Smith, 1991). Consequently, scripts exist also for the specific domain of service encounters, in the mind of both the service worker and the customer (Solomon et al., 1985; Tansik and Smith, 1991). In relation to what has been said above in terms of repetition of a theme, it is important to note that repetition of social experiences solidify scripts (Gioia and Poole, 1984; Gioia and Manz, 1985), particularly when the counterpart serves as a role model by providing "right" behavior (Gioia and Poole, 1984).

A main thesis in this paper is that the content of service scripts in the customer's mind is likely to influence the customer outside the service encounter (i.e. in terms of spill-over effects). In other words, scripts developed in one social domain can be transferred to other domains (Tansik and Smith, 1991). More specifically, as experience accumulates, generalized scripts covering a range of related situations are likely to be abstracted from more episodic scripts (Gioia and Manz, 1985). One should not expect, however, that customers in a mindless way would create norms for – or imitate in terms of their own behavior – everything that they have experienced in terms of service worker behaviors. After all, in general, vicarious learning does not result from the mere exposure of role models; it seems as if positive affect is a crucial facilitator for the transfer of scripts from one situation to another (Gioia and Manz, 1985). Therefore, it can be expected that service worker behaviors with memory links to positively valenced outcomes, such as customer satisfaction, would be particularly likely to be transferred to other social encounters. By the terminology used by Gioia and Poole (1984), these positive behaviors are "tagged" in memory, and they are likely to be particularly accessible when the customer finds him/herself in other social interactions calling for (a) cues with respect to how to assess others' behavior and (b) cues for one's own behavior.

Two influence paths of service scripts can be assumed. First, I assume that service scripts have the potential to affect the customer's *own behavior* in general social interactions, in such a way that the customer becomes increasingly likely to employ positively charged behaviors

that mirror what service workers have been doing in interactions with the customer. Second, I assume that the content of service scripts have the potential to become parts of the customer's norms regarding others' behavior in general social interactions, and that such norms influence the customer's interaction partners so that their behaviors come to resemble service worker's behaviors. The second path, then, means that the customer's norms mediate the influence of service worker behavior on the *behavior of others* with whom the customer interacts.

Hence, because service encounters are social encounters, and given that scripts are used by individuals to deal with human interaction in general, I assume that prolonged exposure to service worker behavior in service encounters, with repeated and positively valenced themes, produces service scripts that blend into the customer's scripts for general social interactions. I therefore assume that the existence of such scripts serves to increase the likelihood that service worker behaviors are carried out by customers and their interaction partners beyond a service encounter context.

SPECIFIC SERVICE WORKER BEHAVIORS AND THE POTENTIAL FOR SPILL-OVER EFFECTS

Given that service worker behavior is likely to influence the customer's social behavior outside the service encounter context, I turn now to a selection of specific service worker behaviors and a speculative elaboration regarding their potential for producing effects beyond the service encounters in which they occur. Three broad categories of service worker behaviors will be discussed (cf. Table 1). It should be noted that they share one particular aspect: they have been shown, in micro-level studies, to have an impact on customers' overall evaluations (e.g. in terms of customer satisfaction), which means that they are likely to be "tagged" with a valenced charge in the customer's memory.

Table 1. Three categories of service worker behaviors with the potential to create spill-over effects

<i>Behavioral category</i>	<i>Sample behaviors</i>
Relational behaviors	Smiling, eye-contact, greetings, politeness, physical touch
Commercial behaviors	Customizing the offer, exceeding expectations, contacting the customer after the sale has been made
Justice-evoking behaviors	Service recovery activities, preferential treatment

The service worker's relational behaviors

A vast number of researchers have discovered – at the micro level – that the service worker's relational behaviors have an impact on the customer's overall evaluations of the firm in which the service worker is employed. Indeed, the prominence of such behaviors is reflected in the lack of a common label for them; they have been referred to as "the human contact aspect" (Goodwin and Smith, 1990), "the human factor" (Lemmink and Mattsson, 1998), "the social content" (Mittal and Lassar, 1996), "the social side" (Butcher, Sparks and O'Callaghan, 2003), "the relational dimension" (Levesque and McDougall, 1996) and "the relational component" (Iacobucci and Ostrom, 1993). In any case, these behaviors are of the type that they comprise general social interaction aspects rather than aspects specifically referring to the service worker's role as a commercial counterpart to a customer. Therefore, they should be particularly likely to be transferred from a service script to a more general script for social interactions. Examples of specific behaviors in this broad category are greetings, smiles, display of empathy, eye contact, listening, courtesy, and physical touch. Many firms are indeed making active attempts to control such service worker behaviors; typically, they are listed in the employer's explicit instructions for service workers. They are also encouraged by recruitment practices emphasizing "the right service attitude" as a selection criterion and by training programs.

Given that the contemporary consumer is repeatedly exposed to the service worker's relational behaviors, and given that memory links develop between such behaviors and satisfaction, one would expect that the customer becomes encouraged to employ positively charged service worker behaviors in his/her own person-to-person interactions beyond service encounters. In addition, it can be assumed that positively charged relational behaviors used by service workers increase the customer's expectations for positive behaviors outside service encounters. It can also be assumed that such expectations "leak" in social encounters and can have an impact on the customer's counterparts in interactions, so that they adjust their relational behavior towards the higher standards.

The net effect, then, would be a higher frequency of greeting, eye contact, listening, display of empathy, smiles, and physical touching in general social interactions. In other words, warmer social interactions can be expected. If this happens, it clearly serves to counterbalance Pollay's (1986) citizen whose social interaction patterns are cynical, egoistic, distrusting and calculative (as a result of his or her massive exposure to ads). It may be noted that one of Pinker's (2011) explanation of why violence in society has decreased is increased trade ("gentle commerce"), because it promotes cooperation between individuals and stresses that mutual benefits can be obtained from friendly exchange. Given that exchange in service encounters is becoming increasingly friendly, due to more emphasis on relational behavior, it is therefore not unlikely that this aspect of service worker behavior may contribute to a more peaceful society.

Yet a potential for negative consequences exists, too. The service worker's relational behaviors can, with a critical eye, be seen as expressions of a self-controlled, submissive, conflict-avoiding and popularity-seeking social role, contributing to more anxious and image-

building behaviors, which is sometimes associated with the middle class. Is this type of behavior really what we want in social interactions? However, it has been argued that the growth of the middle class – and it grows fast on a global scale at the moment – contributes to the civilizing of society (Parker, 2009). So if service worker behaviors provide models for relational behavior, maybe the civilizing process is boosted, something which could be beneficial in the current “new normal” situation in many countries – permanent high employment, low economic growth and a high level of uncertainty about the future. This, then, is a society in which we have to rely on our relationships to others for support.

In addition, and again with a critical eye, it is possible to argue that the service worker’s relational behavior can be seen as attempts to hide that the service encounter is ultimately a place for commercial transactions, and that the warm feelings of rapport created by relational behaviors is simply a vehicle to get the customer to buy – and to come back again for even more. Although seldom explicit in academic research on service encounters, it is worth underscoring that service workers are under increasing pressure to not only provide service but also to sell (Korczynski et al., 2000). With this sales-oriented view, it is possible to see the service worker’s relational behavior as a form of stealth marketing and thus as yet another hidden persuasion tactic to influence customers. For example, many relational behaviors are likely to induce positive emotions. Yet there are strong reasons to believe that people have no direct access to the causal connection between their emotions and evaluations, because the link is more or less automatic (Söderlund and Rosengren, 2008). Therefore, it can be argued that relational behaviors may undermine the customer’s possibilities to make informed choices. And if behaviors comprising explicit efforts to conceal the real purposes of the interaction become more frequent in social interactions in general – because citizens have seen that they seem to work in service encounters – we end up in a society with reduced transparency.

The service worker’s commercial behaviors

The next category of service worker behaviors comprises specific activities occurring vis-à-vis a customer involved in a purchase process rather than general social behaviors. Again, researchers have identified many such behaviors at the micro level and documented their positive impact on customers’ evaluations of service firms. This category contains, for example, customizing the offer to the specific needs of the customer, exceeding the customer’s expectations, and proactively contacting the customer after the service encounter (Bitner, Booms and Tetrault, 1990; Crosby and Stephens, 1987; Gelbrich and Roschk, 2011). Many of these behaviors are also of the type that a vast number of firms consistently strive to make them happen in service encounters, so some of them have become more or less institutionalized. This thus means that customers are likely to become repeatedly exposed to such behaviors.

It may appear as if these behaviors are subject to a lower level of resemblance with social encounters in general (compared to the service worker’s relational behaviors), and thus that service scripts with commercial behaviors would be less likely to become parts of general

social scripts. Yet it must be underscored that several studies (e.g. Bitner et al., 1990) identifying commercial behaviors as sources of customer satisfaction have employed a critical incident method, implying that the customer is consciously aware of the behaviors, remembers them, and can talk about them during a later occasion when the curious researcher turns up. Given that this category of the service worker's behaviors typically comprises critical activities from the customer's point of view, in the sense that they are explicitly linked to customer satisfaction by the customer him/herself, one may in fact assume that they are likely not only to become a part of the customer's service script, but also to become transferred to general scripts. It is also possible that an increasing commercialization of society, in which more and more individuals are encouraged to become a "brand" (Johnson, 2011), makes it increasingly likely that individuals adopt commercially-generated standards in their own behavior.

In any event, assuming that the customer wants to be satisfied in social encounters, and assuming that the customer wants to create satisfaction for others in such encounters, it seems likely that service worker behavior would influence behaviors in general social interactions. That is to say, if we learn, after a number of service encounters in which we appear as customers, that we indeed become satisfied when the service worker adapts to what we need, offers something beyond our expectations, and contacts us between encounters, it is likely that we begin to employ similar behaviors vis-à-vis other individuals with whom we interact outside service encounters – given of course that we want to create a satisfying experience for our counterparts. It is also likely that we begin to expect that others should act in accordance with these behaviors vis-à-vis ourselves and that such expectations may affect others so that they actually perform such behaviors. If this happens, service worker behavior, in the aggregate, would contribute to increasing satisfaction in our social interactions. Again, the service worker's potentially counterbalancing force in relation to the dysfunctional Pollay (1986) citizen, filled with negativity from the omnipresence of advertising messages, calls for attention.

However, it is possible to view the transfer of commercial behaviors from service encounters into daily life as socially troubling. One may argue, for example, that knowledge of what behavior makes others satisfied may foster a calculative human being, someone constantly concerned with his or her own popularity. Indeed, some service researchers' models of satisfaction-enhancing factors related to the service worker's commercial behaviors comprise factors similar to what can be found in self-help literature on how to become better liked and more popular. One specific example is that one should under-promise one's solutions and over-deliver the results in social contacts (i.e. exceed others' expectations) to improve one's "likeability factor" (Sanders, 2006).

The service worker's justice-evoking behaviors

Another set of service worker behaviors in service encounters with a potential to spill over into the customer's behavior in daily life has to do with justice issues. The theoretical point of departure is that human beings are hardwired to make assessments of the extent to which they

are treated in a just way in an exchange situation – and such assessments affects overall evaluations and subsequent behavior (Adams, 1963; Carr, 2007). It is possible that several relational behaviors and commercial behaviors can induce justice assessments, yet existing studies (again at the micro level) explicitly dealing with such assessments and their impact on overall evaluations have focused on two specific service worker behaviors: service recovery behavior (Gelbrich and Roschk, 2011) and preferential treatment (Gabrielson and Söderlund, 2010; Söderlund et al., 2014); hence the use here of a separate behavior category. The main message from such research is that the customer perceives it as just (and satisfying) if the service worker takes full responsibility for firm-generated mistakes and allocates resources so that the customer receives the same as other customers.

Assuming that customers are particularly sensitive to behaviors that they perceive in terms of justice, and assuming that there is a positive link in the customer's service script between justice and satisfaction, and again given that customers want to be both (1) satisfied by others' behaviors and (2) be seen as satisfaction creators in general social encounters, it seems as if the repeated exposure to just treatment in service encounters would have a potential to create more just behavior in general social encounters. If this indeed happens, it can be expected that social interactions outside service encounters would be characterized by an increasing concern with (a) assuming responsibility for, and correcting, one's own mistakes and (b) a fair allocation of resources.

Moreover, given that perceived justice is positively associated with trust (Ambrose and Schminke, 2003; Pillai, Schriesheim and Williams, 1999), it is likely that just service worker behaviors contribute to increasing trust for other persons (sometimes referred to as social capital) than those who are service workers. Empirical evidence for this exists, because Kumlin and Rothstein (2005) has shown that the more contacts the citizen has with societal service providers (e.g. the police) who are perceived to act in just ways, the higher the degree of general trust for other persons. Trust is indeed the foundation of an efficient marketplace (Laczniaik and Murphy, 2006); it reduces transaction costs, promotes reciprocity and cooperation, facilitates the diffusion of innovations, and enhances economic growth (Fukuyama, 2001; Whiteley, 2000). Yet it is also a prerequisite for a well-functioning society, because it is a necessary condition for democratic stability (Fukuyama, 2001; Newton, 2001), it reduces the costs of fraud and crime (Whiteley, 2000), and it positively affects tolerance for minorities, participation in public life, and perceived quality of life (Rothstein, 2010). Indeed, several authors have found a positive association between trust and life satisfaction (Helliwell, 2003; Hudson, 2006). One may therefore assume that recurrent service worker behavior producing just treatment can set in motion a process – in which trust serves as a mediating variable – with a potential to affect several significant societal variables in a positive way.

Yet there is also a potential for negative spill-over effects, given that the customer is repeatedly treated unfairly in service encounters. With respect to the first main source of justice perceptions mentioned above, service failures, the large number of micro-level studies on this issue suggests that failures are common. Several authors have also observed that recovery attempts are far from than optimal in many firms; the majority of customers who are

subject to recovery attempts become dissatisfied (Spreng, Harrell and Mackoy, 1995; Tax and Brown, 1998). This suggests that many service encounters involving service failures may lead to injustice perceptions, and thereby they may reduce general trust and, in tune with the reasoning regarding the consequences of trust, service worker behavior in service encounters may thus contribute to several social problems associated with *low* levels of trust.

As for the second source of justice perceptions in service encounters, receiving the same treatment as other customers, the standardized instructions in many firms may be seen as a factor enforcing equal treatment of different customers. Yet there is an increasing emphasis in firms on preferential treatment of certain customers. The proliferation of loyalty programs is one expression. In addition, several firms use increasingly sophisticated segmentation models, allowing for the identification of differences between customers – and allowing for subsequent differential treatments of customers. This is further fuelled by an increasing awareness in firms that all customers are not equally profitable, which is followed by attempts to treat the most profitable customers better (cf. Schudson, 1993). Indeed, according to Brady (2000), markets are evolving towards a state of “consumer apartheid”. Less attention, longer waiting time, and extra fees are what can be expected for customers who are identified as not belonging to the most valuable group. Taken together, it must be obvious for the contemporary consumer that different customers are sometimes subject to different behaviors from service workers. Not every customer, then, is “king” (Laczniak and Murphy, 2006). It may be noted that not only those that receive less than others are likely to react with perceptions of injustice; according to justice theory, also those who receive *more* than others are likely to perceive that unbalanced outputs to different receivers is a state of injustice (Adams, 1963; Konow, 2003). Thus, increasing levels of preferential treatment in service encounters may boost perceptions of injustice and may ultimately reduce general trust in society.

DISCUSSION

The assumption that what goes on in service firms would have societal effects is not novel. It has been argued, for example, that service innovation in the healthcare sector has a potential to improve the quality of life for the world’s citizens. It has also been argued that improvements in the internal organization of service firms, if they lead to improved work life, could have multiple benefits for the employees (and most people, at least in the West, are indeed employed in such firms) and these benefits are likely to include also improved quality of life (Bitner and Brown, 2008). So far, however, the literature has not explored the possibilities in focus here, namely that several recurrent behaviors of the service worker in the service encounter have the potential to spill over and affect the customer’s behaviors in settings outside service.

In any event, the main argument here has been that the customer’s repeated exposure to service worker behavior in service encounters increases the likelihood that the customer – and his/her interaction partners – carry out similar behaviors. Moreover, it was argued that the development of scripts in the customer’s mind is playing a crucial role in transferring

service worker behaviors into daily life settings. It has also been assumed that increases in the frequency of behaviors originally stemming from what service workers do in service encounters may have an impact on societal variables in terms of friendliness, satisfaction, justice, and trust. Yet to explore this further involves several challenges, and some of them are discussed below.

Service worker behavior – mold or mirror?

A main assumption in this paper has been that frequent exposure to recurrent behaviors from service workers is a mold for social change. In other words, service worker behavior is assumed to be a cause variable. This is basically the same causal assumption made by authors such as Leiss et al. (1986) and Pollay (1986) with regards to advertising. Advocates of a mold argument in the case of service worker behaviors have so far been rare, yet some authors have, in passing, suggested that the service worker transfer norms for behavior to citizens (e.g. Folgerö and Fjeldstad, 1995).

This is of course not the only possible causal assumption. It is also possible to see service workers' behaviors as merely mirroring what goes on in society at large and thus as an effect variable. A link of this type has been suggested by some authors concerned with the broader context of service encounters, such as Ashforth and Humphrey (1993), who view the behavior of the service worker as a function of norms for social exchange. The same "mirroring argument" has also been used in response to advertising critics such as Pollay (1986). For example, Lantos (1987) and Holbrook (1987) argue that advertising merely reflects society – it responds to social trends, rather than causing them. The real change agents, according to Lantos (1987), are non-marketing forces, such as family, church and school, which are "more personal and powerful sources of influence on the individual". In addition, and with respect to marketing in general, an "interaction" argument also exists in which the marketing system and society are viewed as having mutual impact on each other (Laczniak and Murphy, 2006).

Ultimately, of course, the mold-or-mirror issue demands empirical research. Such research, however, is knotty and challenging. Before turning to some of the challenges below, one can at least say that service encounters have some special characteristics making them more likely than some other marketing activities to have a mold function. First, as many service researchers have stated, service encounters are first and foremost social encounters. And we humans have a tendency to be particularly influenced by human beings who we meet "in real life" on a face-to-face basis. Second, many service worker behaviors can be described in narrative terms and thus they are remembered and recalled by customers in terms of stories (cf. research on critical incidents; e.g. Bitner et al., 1990). Given that we humans have a natural tendency to organize information in terms of stories, and a tendency to become particularly influenced by information in a story mode (Wyer, Adaval and Colcombe, 2002), it seems as if this aspect of the service worker's behavior in service encounters would contribute even further to its causal potency vis-à-vis other marketing activities.

Conceptual challenges

As already noticed, the reason why marketing activities may produce spill-over effects has not been subject to many serious theory-building attempts. Yet other fields are providing material that can be used in explanation attempts. Here, in this paper, I made an explanation attempt in terms of script-related theories, and such theories could obviously be examined further for more detailed arguments. The core issue, I believe, is how and when repeated exposure to certain behaviors in one context becomes transferred to other contexts, an issue which calls for a close examination of various theories of vicarious learning, conditioning, and imitation.

It should be observed that my spill-over arguments have been made in terms of *service worker behaviors*. Service encounters, however, comprise more than such behaviors; service encounters take place in a physical environment with certain characteristics.

And micro-level studies suggest that also this aspect of service encounters can have an impact on customers (cf. Bitner, 1992; Ward, Bitner and Barnes, 1992). Given that there may be recurrent themes in terms of the physical environment in which service encounters take place (e.g. style of decor and layout), it is therefore possible that such themes can have spill-over effects on customers' organization of their private physical space. For example, some observers have noted that one trend in the interior design of homes is to remove personal belongings and other things providing clues about the inhabitant, making homes appear basically as hotels. Maybe the main source of inspiration is indeed the inhabitants' experiences as guests in the increasing number of hotels with a minimalistic approach to interior design? In other words, in exploring the potential of spill-over effects of service encounters, there are more aspects to take into account than the service worker's behavior.

In addition, it must be acknowledged that the spill-over thesis in this paper has a customer focus with regards to effects, in the sense that it has been assumed that service workers' behaviors influence *the customer* to carry out similar behaviors beyond service encounters. Yet also *the service worker* has a service script (Tansik and Smith, 1991) and a life outside service encounters. And it seems likely that the service worker's scripts for social interaction in general become affected by repeated service encounters. Hence if the frequency of positively charged service worker behaviors increases in daily life, it may be due to the fact that also service workers, not only customers, bring such behaviors into other contexts. A further complication is that many customers are also service workers; as already stated, most people work in service sectors (again, at least in the West). Presumably, the dyadic aspect of service encounters increases the potential for spill-over effects in relation to exposure to advertising and mass media consumption, and therefore the dyadic aspect needs to be incorporated in frameworks striving to come to terms with spill-over effects of service worker behavior.

It also seems imperative that further theoretical development is open with regard to statements and findings in the vast literature suggesting spill-over effects of media consumption. The issue of spill-over effects after repeated exposure is indeed boundary

spanning and far from new. For example, with the Enlightenment, and the invention of aesthetics in the 18th century, the idea that the exposure to works of art improve recipients morally, emotionally, and spiritually became an important assumption (Carey, 2006).

Challenges for empirical research

Several authors discussing the impact of marketing activities on society have acknowledged the difficulties in both (a) collecting data and (b) disentangling causes and effects. Holbrook (1987), for example, questions if the issue of advertising as a social force is susceptible to empirical enquiry by currently available methods. Even Pollay (1986), who has produced an impressive list of the toxic effects of advertising on society, acknowledges that few of the alleged effects have been directly observed and that the causal role of advertising is uncertain. Lantos (1987) is another example; he argues that causal inference is almost impossible, because many institutional factors influence social behavior. The inherent difficulties are highlighted by Greyser (1972), again in the advertising case, when he claims that the researcher ideally would need two identical societies – one with advertising, one without it – for observations over time. Moreover, according to Lantos (1987), further complexity is added because of marketing's controversial nature; marketing itself, and its effects, are issues for which value judgments and opinions abound, and these are intertwined with opinions about what constitutes good and bad behavior in social settings (cf. Greyser, 1972; Leiss et al., 1986 for a similar argument). In the case of advertising, Kirkpatrick (1986) argues that the critique is indeed ideology-laden and is actually critique against capitalism – and a reflection of the elitism of the critical persons.

The task of collecting data regarding causes and effects at aggregated levels is very different from what is done in the normal course of studying micro-level effects of service worker behavior. Yet some ideas regarding how to obtain such data have been provided in the case of advertising and its unintended social consequences. As for the *cause variables*, Pollay (1986) suggests that content analysis of systematically sampled ads may serve the purpose of establishing patterns in messages (cf. Pollay and Gallagher, 1990). Many such stimuli-focused studies have indeed been carried out. Wiles, Wiles and Tjernlund (1996), for example, content analyzed ads from the U.S. and Sweden and found several themes with implications for social values: ads in both countries overwhelmingly depicted people as youthful, white, slender, involved in leisure rather than work, and as individuals rather than in a relationship. Studies of this type involving change in advertising themes over time exist, too. The identification of systematically occurring themes is also an important activity in research dealing with other effects than those related to advertising, such as in research on the effects of consuming media with violent and pornographic content. In contrast to research on the effects of advertising and media consumption, areas in which samples of ads or editorial content from various points in time can be subject to analysis, service worker behaviors have traditionally left few physical traces for future research – because such behaviors have remained within the minds of the persons who participate in service encounters.

This is beginning to change, however, because more and more firms are relying on various forms of electronic surveillance of their employees – such as tape-recording of conversations and video-recordings of what goes on at work (Ball, 2010). To this it may be added that many firms employ mystery shoppers, and their reports may reveal overall behavioral patterns of service workers. If such data can be accessible to researchers, it might be possible to content analyze service worker behavior in ways similar to the analysis of ads. Access to such data would also allow for examinations of the content of service worker behavior vis-à-vis the content of other marketing-related sources. For example, Pollay and Gallagher (1990) claim that advertising in different media “provides a chorus of commercial communication, harmonious and consistent in its value basis”, and it would indeed be interesting to see if service worker behaviors are in tune with the aggregated advertising message.

With regard to *effect variables*, Pollay (1986) suggests that they may be gauged by monitoring change in social values (such as materialism). As for the effects of service worker behavior, it seems less likely that secondary sources exist with respect to some customer behaviors which may stem from experiences of service encounters (e.g. the frequency of smiles and greetings in daily life). Ways to collect such data regarding everyday practices must therefore be created. Yet data on effects in terms of some relevant consequence variables at later stages in a causal chain – such as life satisfaction and general trust – are indeed collected continuously in longitudinal studies, which are conducted independently from any research interest in the effects of service worker behavior. Such data may thus be helpful. The World Values Survey and the Eurobarometer are specific examples of surveys used by researchers to assess aggregated patterns (cf. Helliwell, 2003; Hudson, 2006).

Given these two types of data, correlations can be examined. Pollay (1986) also believes that experiments might be useful, yet he does acknowledge that the typical experimental design in consumer behavior involves effects that occur immediately after exposure to some treatment and are thus measurable only as long as the participants remain in the experimental situation. Nevertheless, some researchers have used a traditional experimental design to assess possible social effects, such as when they investigate the link between being exposed to ad models with varying levels of obesity and receiver self-esteem (Smeesters, Mussweiler and Mandel, 2010). Others have employed traditional cross-sectional surveys and asked consumers to assess the impact of advertising on, for example, undesirable values in society (Pollay and Mittal, 1993); yet this, of course, is a less precise approach when it comes to the mold-or-mirror issue.

Although data of the suggested types are very different compared to what is collected in the standard study of service encounters, and are less convenient to collect, it should not be impossible to obtain such data. Presumably, the real challenge is to convince service researchers that it might be valuable to look beyond the micro-level effects of service worker behaviors. Accepting this challenge would clearly boost service encounter research as an area of concern for many others than managers in service firms. Ultimately, accepting the challenge would mean that we eventually learn more about the sources of change in social behavior in a society saturated with service encounters.

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CONCEPTUALIZING A SERVICE ECOSYSTEM PERSPECTIVE AT THE BASE OF THE PYRAMID

Soumaya Ben Letaifa and Javier Reynoso¹

Researchers from the Nordic School of Services have encouraged colleagues from around the world to think outside the box and work on nontraditional areas of service marketing and management (Strandvik, Holmlund and Edvardsson, 2012). As a response to this call for a wider perspective on service, we identify a research gap related to the low-income segment of society. Eighty percent of the world's population is ignored as a market and an active resource (Prahalad, 2011). This huge low-income segment of 4 billion people (World Resources Institute, 2007), often called the base of the pyramid (BoP), has traditionally been seen as composed of passive consumers who receive services (Gebauer and Reynoso, 2013)—a view rooted in conventional goods-dominant logic. However, marketing and management practitioners acknowledge a growing dominant logic of co-creative users or customers (Vargo and Lusch, 2004). Although some researchers have called for inclusion of such customers in service activities at the BoP (Viswanathan, Rosa and Ruth, 2010), there is still a need to connect service research with an ecosystem framework to better serve the BoP market. Therefore, this chapter offers an alternative way to understand services at the BoP, suggesting the use of the ecosystem perspective for service management research.

CHALLENGES IN BOP CONTEXTS

Because many existing BoP contributions refer to intervention projects in the form of case studies, conceptual developments, and empirical research, three main challenges can be observed throughout the BoP literature. First, *BoP services are designed in a “top-down” approach*. Even though researchers have addressed the need for and importance of a bottom-up approach (Simanis and Hart, 2009; Viswanathan and Sridharan, 2009), many BoP service initiatives lack balanced centricity (London and Hart, 2011). Whether initiated by multinationals, non-profit organizations, or social entrepreneurs, most BoP projects involve vertical push marketing, which can also be interpreted as goods-dominant logic (Vargo and Lusch, 2004), as it involves asymmetric buyer-seller relationships in which the suppliers lead and control the value-creation process. Second, *BoP service users are seen as passive consumers*. Bonsu and Polsa (2011) have criticized the view of the consumer as passive, and an increasing number of authors are interested in the active role of customers (see, e.g. the contributors to London and Hart [2011]). However, in many cases BoP service users do not really participate in the co-creation process; usually, their only choices are to accept, ignore, or refuse the services offered. Some documented cases in the BoP literature, such as the PuR Water System developed in Pakistan by Procter & Gamble (Webb et al., 2010) and the Nike World Shoe project in China (McDonald and London, 2002), highlight a gap between the

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solutions provided and the ability of the targeted customers either to afford or to use the products or services. Finally, although some authors have emphasized that successful BoP initiatives must consider local conditions (Ansari, Munir and Gregg, 2012; Simanis, 2011), the *solutions provided are largely disconnected from local context*. The lack of awareness and knowledge of sociocultural specificities creates an additional barrier to successful service adoption by local communities. Indeed, BoP initiatives need to be connected to the institutional context, as value is socially defined and differs from one context to another (Akaka, Vargo and Lusch, 2013). Furthermore, Gummerus (2013) distinguishes between value-creation systems and value-outcome determination. Value-creation systems entail creation processes, including the provision of solutions. Value-outcome determination involves how customers assess the value as means to an end—connecting how the service innovation attributes help people fulfill or support positive end states, such as leading a healthier life, and the degree to which users value the enhancement of that end state. However, it is important to note that different parties are involved in value-creation processes, whereas outcomes are uniquely determined by each individual user. This means that local actors will determine the value of the outcomes, but if the parties engaged in solution planning (co-creation) do not take into account how this value determination takes place and what the relevant end states are, the development and marketing efforts may be fruitless.

To address these three challenges, we argue that time has come to connect service literature with the ecosystem perspective to better serve the BoP research agenda. The ecosystem perspective is defined as a multi-actor perspective that enables practitioners and scholars to adopt a balanced view on how services are and should be co-created (Ben Letaifa, 2014). Successful initiatives well documented in the BoP literature, such as the microfinance experience of Grameen Bank in Bangladesh (Yunus, Moingeon and Lehmann-Ortega, 2010), the homemade-food delivery system of Dabbawalas in Mumbai (Thomke and Sinha, 2013), the educational system of Barefoot College in India (Roy and Hartigan, 2008), and the co-developed construction approach of CEMEX in Mexico (Sharma et al., 2003), were able to scale up because their network perspective involved the inclusion of users as value co-creators and socially embedded services. These key factors made it possible to create value for the ecosystem as a whole and to make the BoP innovation sustainable. New BoP initiatives should be designed according to the social and institutional context in which customers live and interact with, interpret and use the services. Traditions, institutional norms, and local values should enlighten and guide the design, development, and management of BoP services. The success of the ecosystem will depend on the capacity to understand local behaviors, attitudes, and expectations and to integrate local resources when new service propositions are designed. For example, local networks, including families and local leaders, are increasingly important to key marketing activities such as communications and distribution. Building trust and lasting business relationships with local communities is a matter of identifying local patterns and specificities.

AN ECOSYSTEM PERSPECTIVE

Strategy and marketing researchers have proposed the perspective, or theoretical framing, of the ecosystem for gaining a better understanding of current changes (Moore, 1996), as this interdisciplinary metaphor offers a systemic and dynamic vision of socio-economic exchanges among various interacting entities. More specifically, the ecosystem is based on the idea that everything is related and nothing happens in isolation. Value creation and extraction are analyzed in terms of a network of actors, rather than a single actor, and are seen to mobilize various shared capacities and skills (Wieland et al., 2012).

New business models thus should provide a more inclusive and comprehensive framework within which services are socially co-created in and for a specific context (Gummerus et al., 2013). In other words, a new service-dominant logic (SDL) approach is required to build sustainable ecosystems. This service ecosystem is neither bottom-up nor top-down. Rather, it is a balanced collaborative ecosystem driven by different socioeconomic actors that build on complementary competencies to create ecosystemic value, which is defined as multidimensional (social, economic, ecological, and cultural) and multi-actor, instead of venture- or user-centric (Ben Letaifa, 2014).

This perspective broadens the concept of value creation to peripheral actors such as governments, universities, associations, investors, service users, and traditionally concealed actors. It acknowledges the complexity of the observed reality and the importance of studying various levels of interaction to better grasp the socio-economic processes that influence the development of services. Services require balanced centrality instead of a focus on a specific actor (local or global; supplier or customer; firm or individual) (Gummesson, 2008). The shift to a more co-creative framework is an evolution to an inclusive ecosystem in which all socio-economic actors can draw on their resources and capabilities to build sustainable service innovations (Rivera-Santos and Rufín, 2010).

Users capture the value created by giving meaning to the value-creation process. If customers do not appreciate or cannot afford the services offered, then value is not created. Thus, suppliers of service activities should adopt a “value facilitator” role in the co-creation process (Grönroos, 2008:308). A new multilevel and multi-actor perspective on “value,” “value creation,” and “value capture” distinguishes ecosystems (Ben Letaifa, 2014; Gummesson, 2008). Indeed, with the emergence of the new service- and knowledge-based economy, the concept of value is becoming more knowledge based, social, subjective, intangible, and complex (Pitelis, 2009). Prahalad and Rawaswamy (2004) talk about co-creation spaces in which several actors capture different values based on their context.

CONCEPTUALIZING A BOP SERVICE ECOSYSTEM

To conceptualize a BoP service ecosystem that is meaningful to both scholars and managers, we selected, from the original ten fundamental propositions that have shaped SDL, four recently identified by authors on the subject as the main foundational axioms: service is the fundamental base of exchange (FP1); the customer is always a co-creator of value (FP6); all

social and economic actors are resource integrators (FP9); and value is always uniquely and phenomenologically determined by the beneficiary (FP10) (Vargo and Lusch, 2013). We also consider four main characteristics that can be identified in the ecosystem literature: multi-actor approach, social embeddedness of actors and resources, biodiversity, and ecosystemic value (Ben Letaifa, 2014).

As a result of analyzing the SD-logic axioms with the ecosystem characteristics, we developed four theoretical propositions to address the challenges faced by the BoP. First, we need to shift from a top-down to a multi-actor BoP approach to include local active resources. This proposition refers to challenges 1 (top-down approach) and 2 (passivity of users), and it is consistent with the transition in the BoP literature toward a more inclusive approach (Kolk, Rivera-Santos and Rufin, 2014). This approach enables multidimensional co-creation by suggesting that a new ecosystemic approach, rather than a stand-alone venture, is required to build on complementary competencies. Value co-creation is the integration of multiple resources (Akaka and Chandler, 2011).

Proposition 1:

An ecosystemic approach to value co-creation requires a multi-actor perspective in which different local and global parties are involved.

Our second proposition refers to challenge 3 (disconnection from local context). We argue that social embeddedness is required to perform successful BoP initiatives. Micro-level challenges can be met only when the local context is well understood. Institutional and social knowledge would enhance the design of the service innovation and facilitate its social adoption and success (Simanis, Hart and Duke, 2008). Integration of local communications protocols, values, and traditions makes it possible to address the market efficiently. Often, BoP initiatives ignore or underestimate intercultural distance, which leads to an unfortunate misfit between the way services are designed and the end users' socioeconomic reality.

Proposition 2:

Services should be designed according to the social and institutional context to which the end users belong.

Our third proposition addresses all of the three challenges. It builds on SDL co-creation and states that services are co-created for and with local communities and that actors have multiple social roles. This premise draws on the importance of associating multifaceted social roles with local actors (co-creator/co-producer and user/consumer). In the ecosystem perspective, resources and actors are not trapped in linear and unique roles but nurture multiple interactions and relationships. This proposition thus affirms the dynamic and evolutionary nature of resources and actors.

Proposition 3:

Local actors should draw on specific social roles to enhance the value co-creation process.

Finally, our fourth proposition integrates the result of the three identified challenges. It

illustrates the output of service innovation or co-creation by suggesting a multidimensional and multi-actor ecosystemic value (Ben Letaifa, 2014). It encompasses economic, social, cultural, and ecological dimensions. Economic value refers to revenues generated for different actors (suppliers, governments, partners, etc.). Social value is about communal benefits captured in the ecosystem (job creation, education, better quality of life, etc.). Cultural value integrates reinforcement and promotion of local values, traditions, and patrimonial resources and assets. Finally, ecological value results from the preservation or development of natural resources. Here, the notion of value is defined based on two components: value processes (value creation) and value outcomes (value capture) (Gummerus, 2013). These propositions are inspired by the four SDL premises and conceptualized to fit BoP ecosystems and to fully address their multi-actor perspective.

Proposition 4:

The ecosystemic value is always multidimensional (social, economic, cultural, and ecological) and multi-actor.

FINAL REMARKS

In summary, this initial conceptualization of a BoP service ecosystem addresses main challenges of this huge service segment and opens avenues for research. The propositions imply new methodological, managerial and theoretical tools. Tackling different actors (proposition 1) with a multilevel perspective on value creation (proposition 4) is an important challenge for both academia and BoP practitioners. We need new qualitative and ethnographic methodologies to seize the complexity of specific contexts, especially for understanding local norms and values (proposition 2) and leveraging local resources (proposition 3). The one-size-fits-all BoP approach has demonstrated its limits. Pilot projects fail to scale up because what should be reinvented and tailored for individual contexts is standardized. Every initiative should be carried out according to the specificities of local ecosystems (proposition 2). Each ecosystem is unique.

For the BoP environment, having an ecosystem framework, in which all actors collaborate to co-create value, is relevant in different ways. For organizations that seek to enter these markets, an ecosystem view will allow them to compensate for the lack of local knowledge and connections (Hammond, 2011) and to leverage the strengths of the existing environment (London and Hart, 2004). For local ventures, this view provides enough knowledge to for them to reach their goals and the scale that will enable them to survive. These four research propositions will still require empirical scrutiny, and we hope that they will open up new ways to understand and innovate in the BoP context.

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STUDENTS' CONNOTATIVE MEANING OF MARKETING CONCEPTS

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Scientists use concepts as their main building blocks in theories and models. The meanings of these concepts depend on the context in which they are used. Each concept has both a denotative and a connotative meaning. In social sciences the connotative meanings of concepts are not without meaning, as they also reflect attitudes and value elements. In this article the connotative meanings of twelve central concepts in marketing are studied. The article combines the results of two similar studies that were implemented 30 years apart, 1983 and 2013. The connotative meanings of concepts are analyzed using several methods to visualize data such as profile analysis, multidimensional scaling and correspondence analysis. The results show a remarkable invariability concerning the underlying value dimensions of the concepts, thus implying that despite the methods used in teaching these concepts, the economic situation, and the political atmosphere, the attitudes and connotations are remarkably similar. The article also shows the usability of different visualization methods to present the results. The study was carried out at Arcada University of Applied Sciences with students involved both in planning, implementation and analysis of the results.

INTRODUCTION

In 1983 marketing as a discipline was quite different from what it is today more than 30 years later. In 30 years the world has changed dramatically. In 1983 IBM had just introduced the first personal computer on the market and communication between computers was at its infancy. We were all amazed by the clean and crisp sound of the new CDs that were sometimes even “digitally edited” compared to old music cassettes with their hissing sounds. Today personal computers, mobile telephones, ipods, ipads and tablets dominate the communication between people through Internet and social media. This change in communication technology has had a huge influence in forming both business life and education processes.

However, despite the changes in the external environment the same basic business and marketing concepts are still used today, as they were thirty years ago. New concepts have, of course, been introduced all the time to better describe and reflect communication through Internet and social media.

This article is based on two research projects among business students done by the same author 30 years apart, one in 1983 and one in 2013. In the latter study the same measurement instrument as in the first study in 1983 was used, in order to make a comparison of the results of both studies possible.

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The first study was done among business students in 1983 that mainly lived in an analog world. The computers at that time were mainly large main-frame computers situated in specially cooled rooms and contacted through terminals. This “analog” generation of students could well be the parents of the 2013 students. Their children are the first generation that has grown up in a computerized and interconnected Internet world.

Due to this fact the new generation has generated a large amount of interest among sociological and psychological researchers. Their behavior has been given names such as: Millennials, Net Generation, Digital Natives, Generation Y, The Gamer Generation. Each term is used slightly different by researchers but in large the terms are used interchangeably. This Generation is expected to radically change both how business is done and how learning takes place. (Jones and Shao, 2011)

Even today both business and science need concepts to in order to understand and to manage the world. With the use of concepts it is possible to answer questions like what, how and why something has happened. The sign of an “expert” is the ability to use specific economic and marketing concepts correctly to both describe and solve business problems. The learning process today is aimed at creating “experts”. The understanding and the use of special business concepts thus takes place during the education process in Universities and Business Schools. During a first course in marketing a student learns approximately one thousand new concepts and the relationships between them. During this cognitive learning process the student also consciously, or unconsciously, learn to emotionally react to different business concepts.

The aim of this comparative study is to measure how business students, thirty years apart, evaluate the connotative meaning of twelve generic business and marketing concepts.

Denotative and connotative meaning of concepts

Each word, or concept, that is used in social sciences has a meaning. The exact meaning of a concept is often depending on the context in which the concept is used, a word can thus have different meanings depending on the context. This makes it necessary to both theoretically and empirically define a concept for a specific business or research project in order ensure that it is correctly understood. This definition determines the denotative or factual meaning of a concept. Strongly simplifying one can say it usually represents the lexical meaning of a concept, i.e. the meaning or explanation a dictionary or textbook would give a concept.

In education it is central for students to learn the correct denotative meanings of concepts. For example, “price” as a concept indicates how much money a seller receives for a certain product or the cost of the product for a consumer. A seller and a buyer can compare prices when they both understand the denotative meaning of concepts in the same way. The denotative meaning of a concept is gradually internalized by students through the education or learning process. This gradual cognitive learning process is described by Blooms (1984) taxonomy of cognitive goals and enhanced by different pedagogical methods. The cognitive

learning is often evaluated through different forms of examinations that can range from a simple verbal description of a concept to applying it to a specific problem.

The connotative meaning of a concept refers to the psychological meaning and represent a person's subjective perception of the concept. The connotative meaning of a concept that emerges is a result of different stimuli that the person has been experiencing over a period of time. These multiple stimuli create a complex totality in the mind of the person and finally he makes his own subjective interpretation of the concept and thereby constituting its connotative meaning. The connotative meaning of a concept can for example be characterized by opposite adjectives, like warm or cold, good or bad.

The focus in the teaching process is usually set on the denotative meaning of concepts while the connotative meaning is usually more or less ignored. How empirical phenomena are named and how concepts are constructed are of importance. The concepts in themselves can also influence connotations and behavior. By reactions to concepts people signalize either their approval or disapproval of the underlying phenomena. Consciously or unconsciously the connotative meaning of concepts are transmitted to students through textbooks, lecturers, professors and media.

Especially if the teacher takes a normative approach to a problem then the concept used in that context might be embedded with negative affections to the concept, e.g. "increasing costs (cost = the concept) in a company is not good". This can leave a negative connotative meaning of the cost concept. Because the education process is not primarily focused on the connotative meaning of concepts we think that evaluating this among students is valuable.

METHOD

The empirical problem is to determine how to measure the connotative meanings of concepts. A simple and elegant solution was provided in an article written by Christian Grönroos, "Profile analysis as a market research tool" (Grönroos, 1975). A profile is defined as "a measure of the picture a group of people have of a specific object". (Grönroos, 1975, p.3) In this context a profile would mean the perceptual picture a group of students have of a marketing concept.

A profile is measured by using a semantic differential or an Osgood scale. The basis of a profile analysis is synthesis, meaning that a stimulus, i.e. a concept can generate a reaction also in another context than where it was originally applied or used thus making it possible to measure with a questionnaire. An Osgood scale is constructed based on pairs of antonyms, like powerful –weak, active- passive, the extremes usually separated by seven intervals that are assumed to be equal. For each pair the respondent is asked to judge the concept along this seven point scale with the following descriptives: "extremely powerful"; "very powerful"; "slightly powerful"; "neither powerful nor weak"; "slightly weak"; "very weak"; "extremely weak." This is repeated for each pair of antonyms. By assuming that the raw data is interval-scaled the data can later be processed using various multivariate methods.

Factor analysis studies of large amounts of antonyms used in profile analysis have showed that in general they can be reduced to three latent variables that explain the correlation between the measured antonyms; “**valuation** of concept”, for example good-bad; **strength** of concept, strong-weak, and **activity**, active- passive. (Grönroos, 1975).

A simple profile analysis is based on a comparison of mean values for different antonyms. The real value of profile analysis is as a tool for comparative studies, either comparing different objects, or concepts, measured at the same time or by comparing objects measured at different times.

For the 1983 empirical study 12 central marketing concepts were chosen for analysis. The concepts were chosen from the subject list of Kotler’s Marketing Management textbook. (Kotler, 1980) Some concepts were chosen because they were expected to generate strong reactions with heavy emotional bias and some concepts were chosen as a priori being more neutral without any specific bias.

The twelve concepts chosen were; profit, price, growth, budget, advertising, loss, expert, profitability, lifecycle, consumption, risk and information.

The evaluation of some of the concepts was already in 1983 assumed to be depending on one’s political or ideological orientation. Concepts like profit, growth, advertising, loss and consumption were debated in the political press at that time. To some extent the same concepts are still today viewed with suspicion by people representing green or ecological values.

The connotations towards the concepts in 1983 were measured by using twelve bipolar adjectives on a seven step Osgood scale. The same scale was used in 2013. The pairs of antonyms in the semantic differential were, partly based on Grönroos the following:

Table 1. Pairs of antonyms used in questionnaire to measure connotations

Antonyms	Source
warm - cold,	(Grönroos,1975)
strong – weak,	(Grönroos,1975)
realistic – idealistic,	
open – closed,	
splitted – integrated,	
soft - hard,	
simple – complex,	
even – uneven,	
bright – dark,	(Grönroos,1975)
fast – slow,	
horizontal – vertical,	
feeling – thought.	

Ideally the correlation between pairs of antonyms would be explained by one of the three basic, underlying more fundamental latent variables described as: evaluation, power, or activity.

A seven point scale was used to measure to what degree a respondent associated each pair of antonyms with each concept. The scale was coded from 1 to 7 and interpreted as a quasi-interval scale thus allowing for the calculation of means and using multidimensional statistical methods. However, since a paper questionnaire was used in both studies showing one pair of antonyms at a time in a randomized order, as Grönroos (1975) suggested in his article, was not possible to implement.

In both studies the population consisted of business students. At Hanken the students had just finished their first course in marketing and were thus second year students. The population consisted of 135 students. Originally only two questionnaires were rejected due to being incompletely filled in. The material was handed out to students during and after lectures. From the original 1983 sample 113 usable questionnaires remained and were thus re-coded and entered into SPSS during 2012².

The 2013 sample consisted of almost all first year business students at Arcada participating on a special course called Arcada 360. On a field trip by boat to Stockholm the questionnaires were handed out to the students during the trip to be filled in during pauses. The handing out and collection of questionnaires was managed by teachers. In 2013 the study resulted in 99 usable questionnaires out of 105 collected. The rejected questionnaires were either incompletely filled in or filled in with the same responses to all variables indicating a lack of seriousness towards the study.

In total the two samples resulted in 212 usable questionnaires, 53% was collected in 1983 and 47% in 2013.

The gender distribution between the 1983 and the 2013 studies clearly show the trend of more females choosing to study business subjects than men. In 1983 the gender distribution was 54% males and 46% females and in 2013 the proportions were clearly dominated by females, 66% females and 34% males.

RESULTS

Traditional profile analysis

The first step of analysis was to perform a profile analysis as outlined in Grönroos (1975) by calculating for each concept the mean values for each pair of antonyms and statistically test the mean differences with ANOVA for the 1983 and 2013 groups.

However, the responses to the antonyms were not added together to make three summary variables that would have described the three basic latent variables; valuation, power and activity, as suggested by Grönroos. Instead, detailed results of each pair of antonyms are

² At that time it was not possible to implement multivariate analysis easily. The results of the first study conducted in 1983 were calculated using a mainframe computer with the help of a terminal without any real graphical abilities. Because the results of the first study thus lacked any viable possibilities for further analysis they were left to oblivion, and were soon forgotten until 2012. Most of the original questionnaires were however kept in a box and used 2012.

presented. There are two reasons for this; first, a factor analysis was not done to determine if the antonyms actually were described by the three latent variables thus rendering a summation somewhat dubious, and second, the mean values will later be used for both multidimensional scaling and correspondence analysis.

The most remarkable result of the ANOVA tests is the small number of pairs of antonyms with statistically significant differences between the 1983 and 2013 groups. From the table below it can be seen that two concepts, consumption and expert, have four pairs of antonyms with statistically significant differences. On average only 2.4 pair of antonyms are statistically significant per concepts.

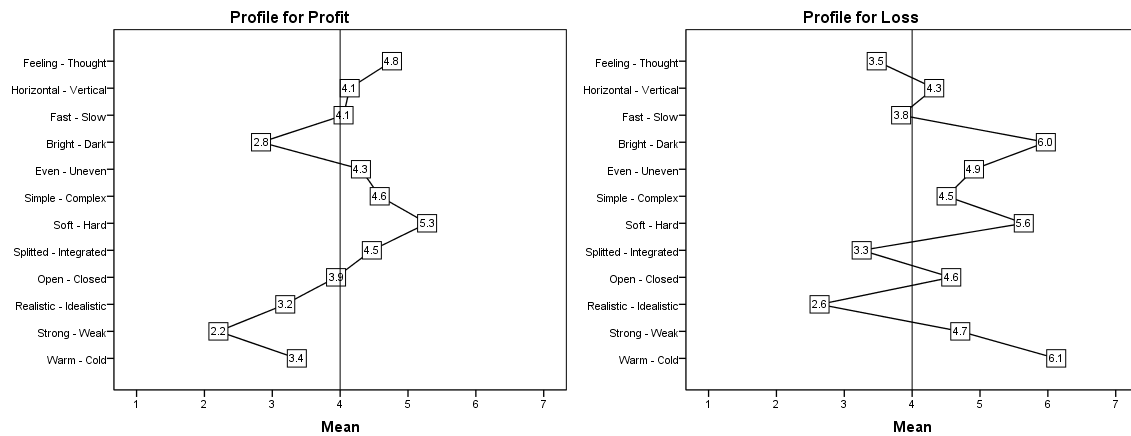
Table 2. Amount of pairs of antonyms that have statistically significant means (95% confidence)

Concept	Number of antonyms
Consumption	4
Expert	4
Budget	3
Life-cycle	3
Price	3
Profit	3
Advertising	2
Growth	2
Information	2
Loss	1
Profitability	1
Risk	1

The next step in the analysis was to produce charts that visually describe the profiles for each concept. Due to space limitations only a few of the profiles are presented here. It must be noted, that despite 30 years of development the basic statistical analysis tools such as SPSS and Excel are still not able to produce profile graphs without a great deal of manual graphic manipulation. The graphs below (graph 1) show the profile graphs SPSS produce as default.

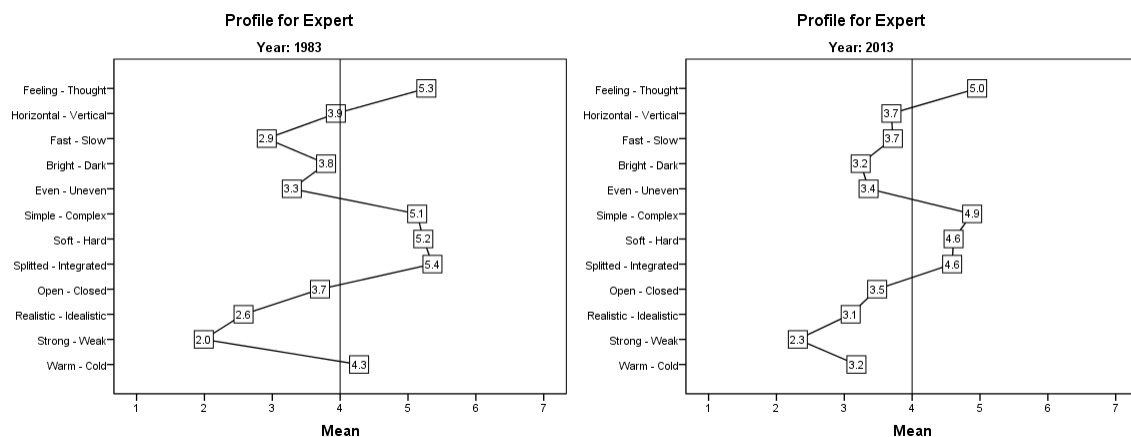
The first two concepts that are shown are the graphs for profit and loss for the whole sample, without splitting into the 1983 and 2013 groups. The first things a young student is taught is that the long-term goal of a company is to achieve a profit and avoid a loss if it wants to survive on the market. These two concepts are of special interest as being very value laden.

The dominating attributes for profit are strong, bright and hard, while the dominating attributes for loss are cold, realistic and dark. The two concepts are almost mirror concepts of each other - one emphasizing positive and the other negative valuations.



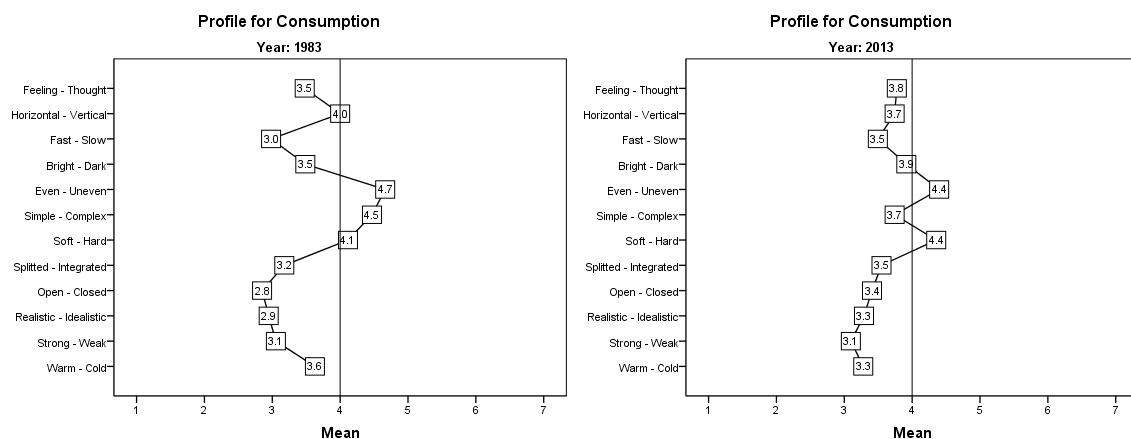
Graph 1. Profile of mean values of the concepts profit and loss for whole sample

The next two concepts shown below are the ones with the statistically most significant mean differences; expert and consumption. For expert the statistically significant different pairs of antonyms are: cold- warm, splitted- integrated, soft- hard and fast-slow.



Graph 2. Profiles of mean values for concept Expert, 1983 and 2013

For consumption the statistically significant different antonyms are: open- closed, simple- complex, bright- dark and fast- slow.



Graph 3. Profile of Mean values for concept Consumption, 1983 and 2013

To summarize, it is possible to say that the results of the profile analysis are rather similar for the two student groups despite a time difference of 30 years.

Despite their deceptive simplicity the profiles are difficult to interpret. In simple cases such as, for example, comparing two tennis players, the profiles work well. The reader is not overburdened by too much visual information. (See for example Ryssel & Stamminger, 1988) Even though data visualization is today a hot topic, profile analysis has not been included among the many forms of data visualization that is presented. Yau, one of the gurus in data visualization, even think the traditional profile graph is a misleading way of presenting data because the different antonyms, or variables, are unrelated and joining them together with a line is misleading the viewer to believe that they are interrelated. (See Yau, 2011 and Krum, 2013) This fact is, of course, known by everyone presenting the results of a profile analysis and no-one gives the line any other meaning than just a way to neatly visualize the means of several different variables.

Even though profiles are a neat way to present simple data, even this small example in this article with twelve concepts and twelve pairs of antonyms per concept gives 144 data points to grasp or visualize, additionally splitting the data into two groups further complicates the task. Some kind of data summarization or simplification is wanted if one wants to say something about the perceptual similarity of the concepts as a whole.

Multidimensional scaling – MDS

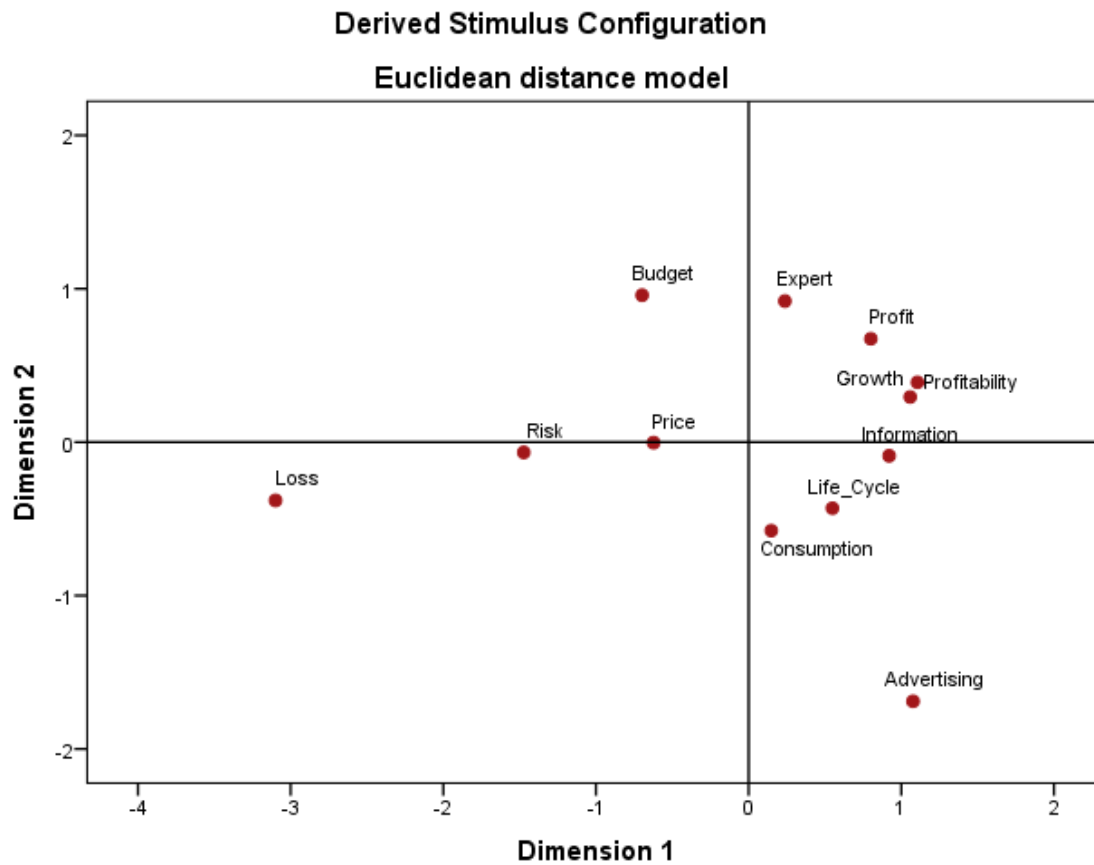
The profile analysis thus here allows a visual presentation of each concept as such based either on the original pairs of antonyms. However, profile analysis don't allow for a joint analysis of all concepts at a time, i.e. answering the question how similar or different the concepts are as perceived by the respondents.

In this section a perceptual map is produced that visualize how similar or different the concepts are by using multidimensional scaling or MDS. The starting point for the MDS analysis is a table of distances between the different concepts. The MDS method then constructs a map that displays the relative positions of the concepts based on a dissimilarity or distance table. The map may consist of one, two, three or more dimensions. The normal amount of dimensions in an MDS analysis is usually two dimensions resulting in a two-dimensional picture. The resulting graph shows the relative distances between the different concepts, in the same way as a normal road map shows the distances between different cities.

In our study first a new data matrix is constructed in such a way that each concept is a variable thus resulting in twelve variables. Each pair of antonyms is represented in this table by its mean value. The final distance matrix is calculated by SPSS. (Borg, Groenen and Mair, 2012).

The analysis was made with the SPSS alscale algorithm. The MDS analysis for the whole sample, without subgroups, gave a two dimensional graph. The graph is shown below.

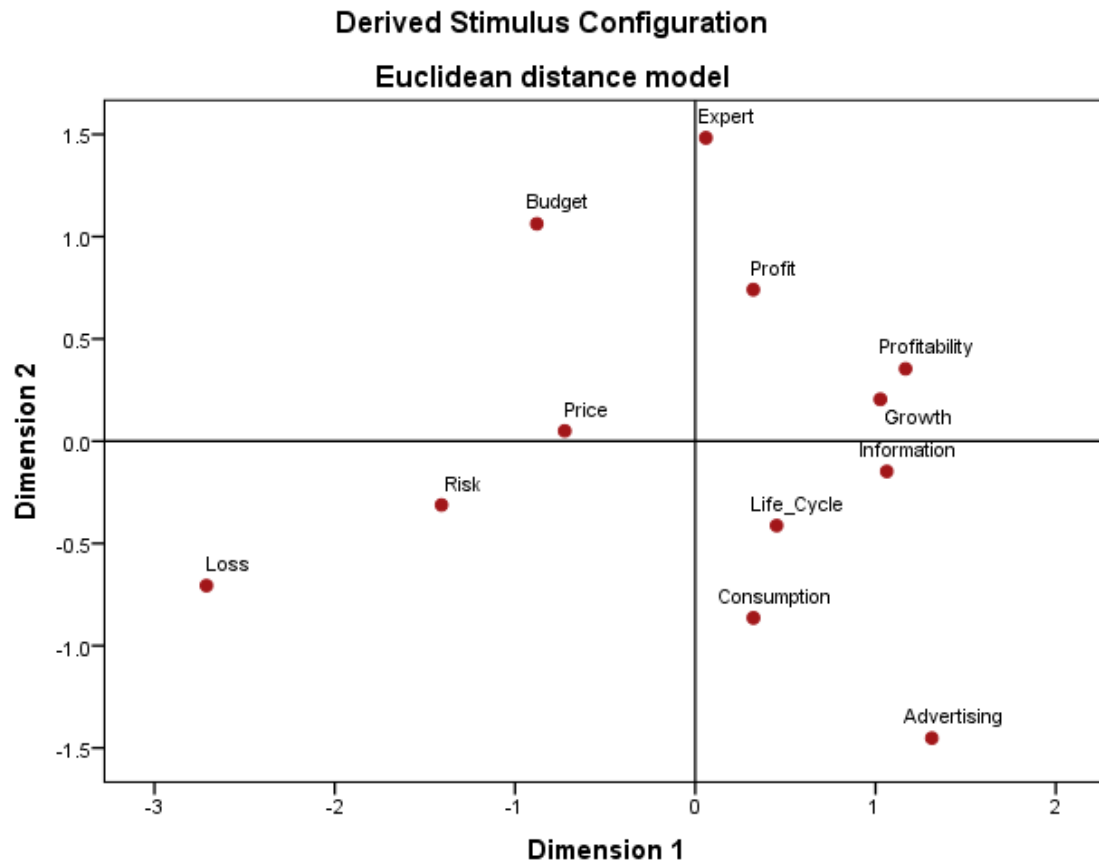
The stress value for the graph is 0.088, which is regarded as a good goodness-of-fit to the data. $R^2 = 0,97$. The graph thus gives a good to fair representation of the data based on the actual and predicted distances.



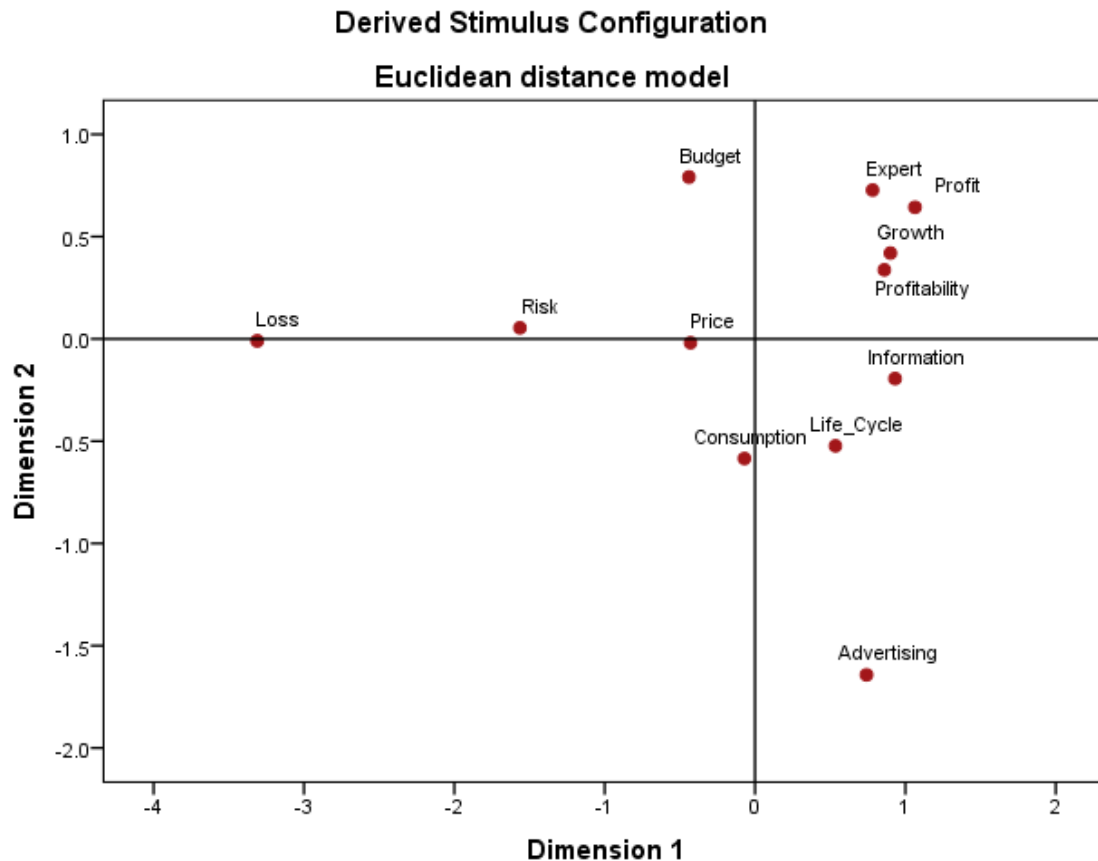
Graph 4. Joint perceptual map of marketing concepts by students 1983 and 2013, stress = 0.088, $R^2 = 0.97$.

The interpretation of the dimensions can be made based on concepts that have the highest values on the respective dimension. On dimension 1 (the horizontal axis) profitability is on one extreme and loss on the other extreme. It is thus an axis that could be described by using the adjectives strong- weak. The extremes of the second dimension (vertical axis) are characterized by advertising and budget/expert. This dimension could thus be characterized as describing feeling (advertising) and thought (expert/budget).

Comparing the graphs for 1983 and 2013 it can clearly be seen the large dispersion of concepts in the 1983 graph indicating larger perceptual distances. The Stress values is 0,101 and $R^2 = 0,95$ for 1983 and for 2013 stress= 0,099 and $R^2 = 0,96$. There is thus a better fit to the data in 2013 than in 1983.



Graph 5. Perceptual map of marketing concepts by students, Stress values = 0.101 and $R^2 = 0.95$.

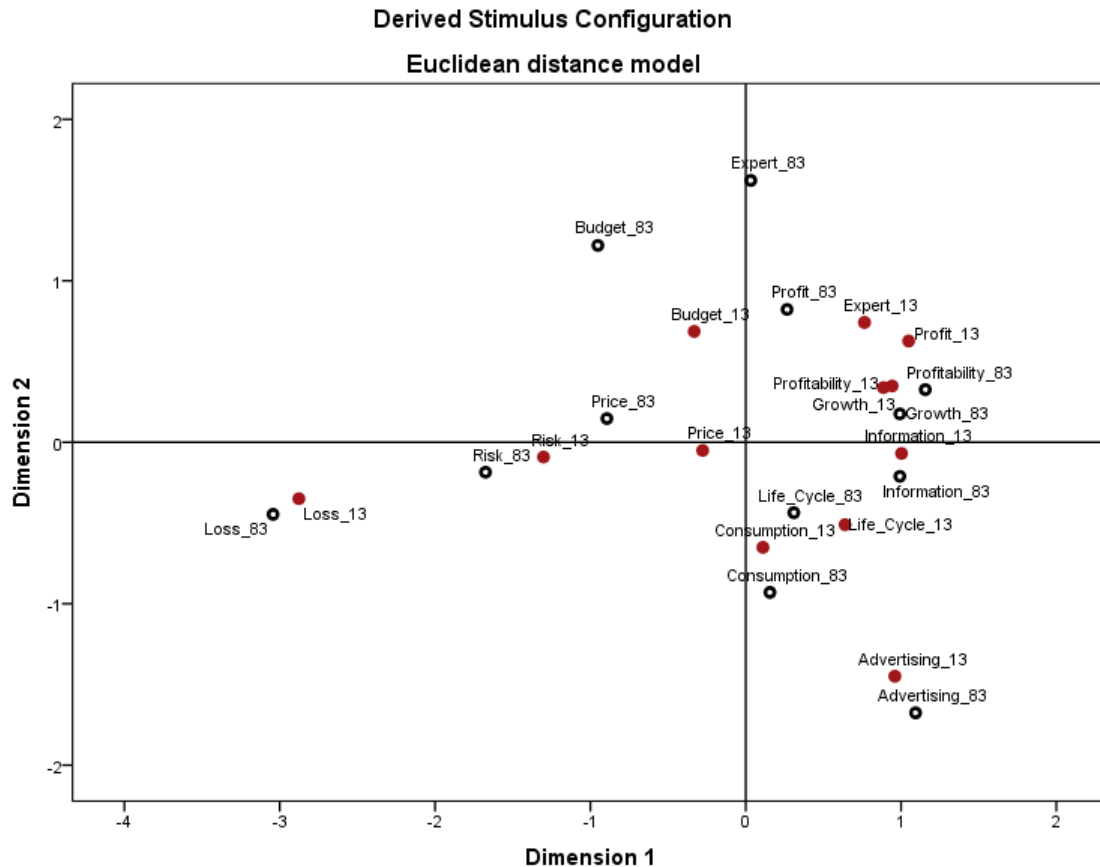


Graph 6. Perceptual map of marketing concepts by students 2013, stress = 0.099 and $R^2 = 0.96$.

The interpretation of the axis is the same both in 1983 and 2013 as in the previous chart. The general configurations in the perceptual maps are similar, but for specific concepts clear changes in their positions can be seen. For example, the position of expert and profit has clearly changed their positions.

By producing a joint MDS map for both the 1983 and 2013 data the changes in distance between 1983 and 2013 can be shown in one graph. Graph 7 shows that the largest changes have taken place for concepts such as Expert, Budget, Profit and Price. The remaining concepts show very small changes in distance between 1983 and 2013.

Overall, the distances have changed in the direction of indicating smaller distances between the concepts. The tendency is towards the both the horizontal and vertical axis.



Graph 7. Perceptual map of marketing concepts by students 1983 and 2013, arrows indicate the dynamics and directions of change

However, the MDS analysis gives a graph of the perceptual similarity of the concepts. What is still missing from the graphs are the attributes that are associated with the different concepts. Adding the pairs of antonyms into the chart can be done by using correspondence analysis.

Correspondence analysis

Correspondence analysis is a method for visualizing categorical data usually presented in tables. In normal cases the analysis is based on categorical data and a chi-square distance is used, but in this case the analysis is based on means and thus Euclidian distance measurement is used instead. Sometimes the correspondence analysis is reserved only for chi-square distances, and when Euclidean distances are used the analysis is called a biplot. The correspondence analysis map is also a data reduction map by showing only the feature that loads highest on a variable. (Greenacre, 2007) Correspondence analysis is thus a descriptive, or exploratory, technique that analyses the correspondence between row and column measures. The results are to its nature similar to those produced by Factor Analysis.

As a starting point, a similar table is constructed as the for the MDS analysis. The concepts are the variables and the means of the antonyms their values.

A correspondence analysis has one drawback; however, it only gives the highest value of the variable. It means that only the high end of the scale will be graphed. Those variables with low means on a scale will thus not be graphed. In order to show both ends of the scale, i.e., both antonyms, also those with high means on the low end of the scale, a doubling method was used. For each concept its mean loading on both the high end and the low end of the scale is calculated. In essence it is a doubling of the amount of variables. (For a detailed description of the method see SPSS, 1998) Further, the means were additionally calculated for the 1983 and 2013 groups. In the chart the 1983 and 2013 points are indicated, for example as Warm_83, and Warm_13 respectively. These manipulations resulted in a data matrix with the dimensions of 48 rows by 12 columns. By using SPSS syntax the proper correspondence charts were possible to produce.

After initial trials the following pairs of antonyms were left out from the final graphs: open-closed, splitted- integrated, even- uneven, horizontal- vertical. None of these pairs of antonyms contributed to the inertia³ measurement, thus having a very small influence on the interpretation of the axis. By leaving them out from the graph the final graph becomes more reader-friendly as the antonyms left out only clustered around the zero points of both axes which made the graph more cluttered.

The final analysis resulted in a solution with three dimensions, as in Factor Analysis the first dimension explains most of the variation and the following dimensions in decreasing order the remaining variation.

The three first dimensions in the graphs explain 89 % of the inertia or variation. The first dimension accounts for 58.6 %, the second dimension for 20.4 % and the third for 9.5 % of the variation. The maximum amount of dimensions is (number of rows-1) or (number of columns -1) whichever is smaller. The inertia is a measure of variation in the material and depending on the scales used.

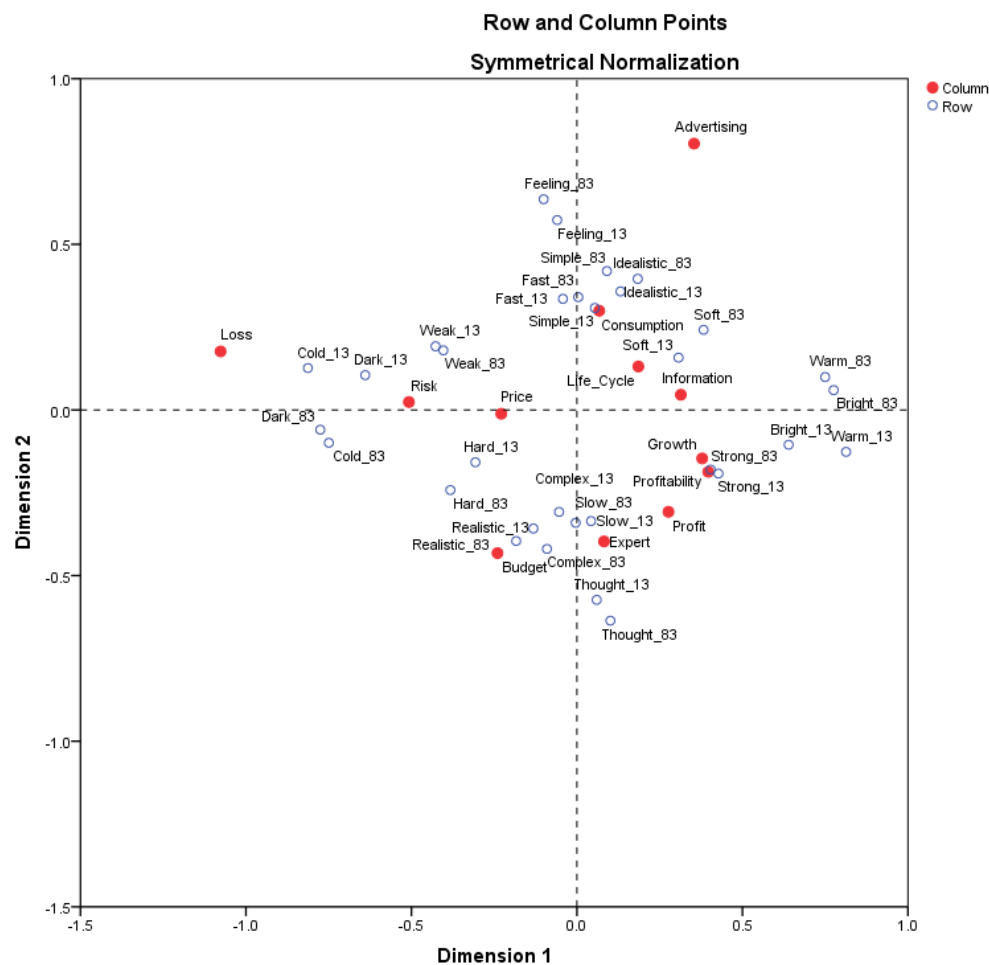
Table 3. Summary of results of correspondence analysis – number of dimensions

Summary							
Dimension	Singular Value	Inertia	Proportion of Inertia		Confidence	Singular Value	
			Accounted for	Cumulative		Standard Deviation	Correlation
						2	3
1	.181	.033	.586	.586	.012	-.007	.016
2	.107	.011	.204	.790	.010		.065
3	.073	.005	.095	.885	.009		
4	.049	.002	.043	.927			
5	.040	.002	.028	.955			
6	.035	.001	.022	.977			
7	.025	.001	.011	.988			
8	.017	.000	.005	.993			

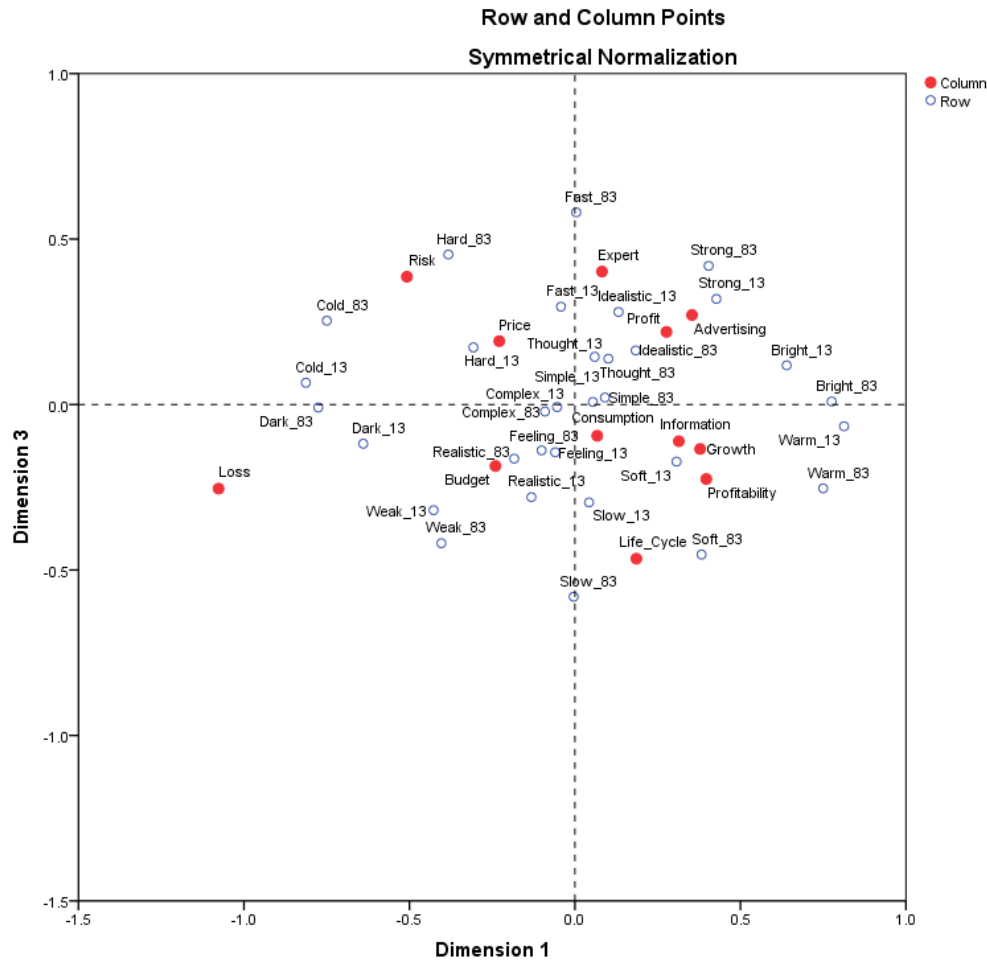
³ Inertia is a measure of variation in the material.

9	.016	.000	.005	.998
10	.009	.000	.001	.999
11	.007	.000	.001	1.000
Total		.056	1.000	1.000

In the charts charts below the data is reduced to show only the dominating antonyms. This means, for example, that cold and warm can be described in the graph at the same time, as loading high on different concepts. The axis may be interpreted by comparing a high loading antonym with the respective dimension in table 4.



Graph 8. Correspondence analysis dimensions 1 and 2, Inertia for dimension 1= 0.033, (58.6%), inertia for dimension 2 = 0.011, (20.4%)



Graph 9. Correspondence analysis dimensions 1 and 3, Inertia for dimension 1= 0.033, (58.6%), Inertia for dimension 3= 0.005 (9.5%)

The interpretation of the axis can be done by looking at the scores of each attribute on the three dimensions. The highest score on the dimension can usually be used to describe it. For dimension 1, the scores for cold_83, warm_83, dark_83, bright_83, and cold_13, warm_13 and bright_13 are the highest, and can be used to describe it.

For dimension 2 the highest scores have the attributes complex_83, simple_83, thought_83, feeling_83, thought_13 and feeling_13.

For dimension 3 the highest scores have the attributes weak_83, strong_83, hard_83, soft_83, slow_83, fast_83.

Dimension 1 then resembles Factor 1- **Valuation** in Grönroos (1975) with attributes such as warm, cold and dark bright. Dimension 2 is a new dimension representing **thought – feeling**. Dimension 3 would resemble a mixture of Factors 2 **Power** and **Factor 3 Activity** in Grönroos (1975) with attributes such as weak, strong, hard, soft, slow and fast.

Table 4. Attribute scores on dimensions 1 to 3 and their explanation of inertia

Overview Row Points ^a												
Row	Mass	Score in Dimension			Inertia	Contribution						
		1	2	3		Of Point to Inertia of Dimension			Of Dimension to Inertia of Point			
						1	2	3	1	2	3	Total
Cold_83	.031	<u>-.750</u>	-.099	.253	.0035	.097	.003	.028	.905	.009	.042	.956
Warm_83	.031	<u>.750</u>	.099	-.253	.0035	.097	.003	.028	.905	.009	.042	.956
Weak_83	.031	-.404	.180	<u>-.419</u>	.0015	.028	.009	.075	.615	.072	.266	.953
Strong_83	.031	.404	-.180	<u>.419</u>	.0015	.028	.009	.075	.615	.072	.266	.953
Idealistic_83	.031	.184	.396	.164	.0013	.006	.046	.011	.141	.388	.045	.575
Realistic_83	.031	-.184	-.396	-.164	.0013	.006	.046	.011	.141	.388	.045	.575
Hard_83	.031	-.383	-.242	<u>.453</u>	.0016	.025	.017	.088	.504	.119	.285	.908
Soft_83	.031	.383	.242	<u>-.453</u>	.0016	.025	.017	.088	.504	.119	.285	.908
Complex_83	.031	-.091	<u>-.420</u>	-.021	.0010	.001	.051	.000	.046	.582	.001	.629
Simple_83	.031	.091	<u>.420</u>	.021	.0010	.001	.051	.000	.046	.582	.001	.629
Dark_83	.031	<u>-.775</u>	-.060	-.009	.0035	.104	.001	.000	.978	.003	.000	.981
Bright_83	.031	<u>.775</u>	.060	.009	.0035	.104	.001	.000	.978	.003	.000	.981
Slow_83	.031	-.004	-.341	<u>-.581</u>	.0014	.000	.034	.145	.000	.274	.542	.816
Fast_83	.031	.004	.341	<u>.581</u>	.0014	.000	.034	.145	.000	.274	.542	.816
Thought_83	.031	.101	<u>-.636</u>	.138	.0016	.002	.118	.008	.035	.825	.027	.887
Feeling_83	.031	-.101	<u>.636</u>	-.138	.0016	.002	.118	.008	.035	.825	.027	.887
Cold_13	.031	<u>-.813</u>	.127	.066	.0039	.114	.005	.002	.966	.014	.003	.983
Warm_13	.031	<u>.813</u>	-.127	-.066	.0039	.114	.005	.002	.966	.014	.003	.983
Weak_13	.031	-.427	.192	-.319	.0015	.032	.011	.044	.694	.083	.156	.933
Strong_13	.031	.427	-.192	.319	.0015	.032	.011	.044	.694	.083	.156	.933
Idealistic_13	.031	.132	.358	.280	.0008	.003	.037	.034	.121	.529	.220	.871
Realistic_13	.031	-.132	-.358	-.280	.0008	.003	.037	.034	.121	.529	.220	.871
Hard_13	.031	-.307	-.158	.173	.0009	.016	.007	.013	.578	.090	.074	.742
Soft_13	.031	.307	.158	-.173	.0009	.016	.007	.013	.578	.090	.074	.742
Complex_13	.031	-.054	-.308	-.008	.0007	.001	.028	.000	.023	.451	.000	.474
Simple_13	.031	.054	.308	.008	.0007	.001	.028	.000	.023	.451	.000	.474
Dark_13	.031	<u>-.640</u>	.105	-.118	.0025	.071	.003	.006	.923	.015	.013	.951
Bright_13	.031	<u>.640</u>	-.105	.118	.0025	.071	.003	.006	.923	.015	.013	.951
Slow_13	.031	.042	-.335	-.296	.0008	.000	.033	.038	.013	.474	.251	.739
Fast_13	.031	-.042	.335	.296	.0008	.000	.033	.038	.013	.474	.251	.739
Thought_13	.031	.060	<u>-.573</u>	.144	.0013	.001	.096	.009	.015	.814	.035	.864
Feeling_13	.031	-.060	<u>.573</u>	-.144	.0013	.001	.096	.009	.015	.814	.035	.864
Active Total	1.000				.0560	1.000	1.000	1.000				

a. Symmetrical normalization

Table 5. Concept scores on dimensions 1 to 3 and explanation of inertia

Overview Column Points ^a												
Column	Mass	Score in Dimension			Inertia	Contribution						
		1	2	3		Of Point to Inertia of Dimension			Of Dimension to Inertia of Point			Total
						1	2	3	1	2	3	
Profit	.083	.276	-.307	.220	.0030	.035	.074	.055	.386	.282	.098	.766
Price	.083	-.229	-.011	.192	.0015	.024	.000	.042	.535	.001	.151	.686
Growth	.083	.378	-.146	-.134	.0030	.066	.017	.021	.728	.064	.037	.829
Budget	.083	-.240	<u>-.432</u>	-.185	.0038	.027	.146	.039	.228	.436	.055	.719
Advertising	.083	.354	<u>.804</u>	.271	.0085	.058	.504	.084	.223	.680	.052	.955
Loss	.083	<u>-1.077</u>	.177	-.254	.0183	.533	.024	.074	.954	.015	.021	.991
Expert	.083	.082	<u>-.397</u>	<u>.402</u>	.0028	.003	.123	.185	.036	.502	.351	.889
Profitability	.083	.397	-.187	-.225	.0033	.072	.027	.058	.730	.096	.094	.920
Life_Cycle	.083	.185	.131	<u>-.466</u>	.0024	.016	.013	.248	.214	.063	.543	.820
Consumption	.083	.067	.300	-.094	.0014	.002	.070	.010	.047	.554	.037	.638
Risk	.083	<u>-.508</u>	.024	.386	.0053	.119	.000	.170	.729	.001	.170	.900
Information	.083	.314	.046	-.111	.0027	.045	.002	.014	.554	.007	.028	.589
Active Total	1.000				.0560	1.000	1.000	1.000				

a. Symmetrical normalization

DISCUSSION AND CONCLUSION

This study was initially motivated by the endless discussions among teaching colleagues about how much the students have changed since we, the teachers, were young. The new generation of Millennials, or the Digitally Natives, is often described as completely changing the teaching process with more demands on integrating computer technology and distance education into the teaching process. Most studies have, however, been cross-sectional studies done at specific points in time. If they cover different time periods, the time span has often been rather short.

The discovery of a box of old questionnaires collected in 1983 gave a good opportunity to learn to replicate the study among the new generation of students. At least, the time perspective is long enough to compare one analog and one digital generation. The original study was inspired by Grönroos' (1975) article that described the use and implementation of profile analysis. The article has since been used in teaching profile analysis. However, the results of the profile analysis as line charts are today not that appealing to young students but still easy to interpret in small projects.

In the replication of the 1983 study in 2013 the questions were on purpose kept exactly as they were in 1983. With the development of computer software it became possible to extend the profile analysis to both multidimensional scaling and correspondence analysis, thus giving the presentation of the results a more modern look. The study thus also became an

exercise in data visualization, especially when the growing amount of data that is becoming available clearly demands data reduction and simplification in a visually pleasing way.

The main results of the study do show differences between the analog and the digitally native generations. The results are in no way radical, the significant differences in mean values for different antonym pairs are few, indicating that at many of the basic concepts used in business and marketing are perceived rather similarly. To paraphrase a famous poet: a loss is a loss is a loss. Most businessmen would agree that a loss is something negative and a profit something positive. An indication that something has happened is how the perception of expert has changed, the change is in line with the native digitals' values. Teachers are today not the sole carriers of knowledge, this function has disappeared. There is today a multitude of knowledge sources that a student can use.

We think that it is proper to end with a reference to Palfrey and Gasser (2010) who made a very good and balanced study called "Born Digital - understanding the first generation of digital natives." Their main conclusion is that there is something that can be called a computerization fetish in schools today. The students still learn the same things, as can be seen from the almost similar reactions to the antonyms describing different concepts, but they learn in different ways. Instead of having a teacher centered education we have moved to a student centered education system, where they use all the technology they can to further their own learning process, but they still need teachers to provide them with encouragement, contexts for concepts, support, and help even in a digitized world.

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**METHODOLOGY AND/OR METHODS FOR
STUDYING SERVICE AND RELATIONSHIPS**

SERVICE RESEARCH METHODOLOGY: FROM CASE STUDY RESEARCH TO CASE THEORY

Evert Gummesson

The value and relevance of service research is highly dependent on the methodology-in-use. On an international basis empirical studies with statistical surveys and ensuing factor analysis and hypothesis testing have been done parallel to case study research based on an interpretivist paradigm with qualitative interviews, focus groups and observations. Both approaches have been used to generate theory, primarily theory fragments or mid-range theory but not until recently more inclusive, abstract and general theory, grand theory. The Nordic School has mainly done case study research which is by convention categorized as a qualitative method. This chapter is based on a lifelong interest in research methodology and knowledge development. It draws on a new book, Innovative Case Study Research in Business and Management (Gummesson, 2015), and presents my efforts to upgrade case study research to case theory and explain why it is as a powerful and undervalued methodology.

This chapter opens with my perception of the emergence of service research. It proceeds with methodology issues: the transition to case theory; the complexity paradigm and interactive research; a definition of knowledge as pragmatic wisdom; the purposes of case theory and theory generation and testing; scientific narratives; context, persona factor and research scapes; the terrorism of received categories such as quantitative/ qualitative; and brief notes on other parts of case theory. It is followed by a brief where new theory has been generated from the synthesis of a single empirical case and extant literature. The chapter ends with a conclusions section.

THE EMERGENCE OF SERVICE RESEARCH

The interest in service goes back thousands of years and has come and gone among economic philosophers over the past few centuries. This is explained by Lusch and Vargo (2014) in the “Roots and Heritage” chapter in their state of the art book on service-dominant (S-D) logic.

This section is about the recent history of service research and where we are going. It’s a self-lived history which has given me privileged access to inside events. We may think that history is easy to report – it has already happened, hasn’t it? – whereas the future is hard to foresee. But in the complex world we live in, even when limited to a special topic and discipline, there are innumerable variables and links between them. Nobody can overview them all and draw conclusions about covariance and causality. History has to be interpreted and it is easy to fall into the trap of rationalizing and streamlining the past. Here is my interpretation.

In the 1970s a new era of service research took off when a small number of individuals from Finland, Sweden, France, UK and the USA challenged the goods and manufacturing

mainstream in management and especially in marketing. When I presented my Ph D dissertation on service in 1977 one professor told me: “You have looked into a very marginal area of economic life. To advance in academe you now have to do something more substantial and important.” Christian Grönroos met similar reactions in Finland.

Despite opposition from certain academic circles, the number of service researchers soon grew into an international critical mass; in the 1980s the growth was exponential. Service research developed new knowledge about markets and the economy in general. The concept of the service encounter where suppliers and customers meet to produce and consume a service formed the basis for a more generalized view with relationship marketing, interaction and networks in the center. New information technology gradually began to influence how service was promoted, bought and performed.

The growth of service research during the 1980s and 1990s offered both empirical and conceptual developments. Personally I began to feel that service research locked itself up in a counterproductive paradigm and cultivated certain myths as rock-solid truths. I missed the excitement of the pioneering days and it made me feel uncomfortable. There was a dominance of certain themes, especially customer satisfaction and customer perceived quality using superficial statistical surveys as evidence. The mainstream dodged the demanding issues of the complexity of service systems and how they affected both markets and the welfare of society. The developments provided piles of fragments and partial models based on both armchair deduction and specific empirical studies. There were little syntheses on a higher level of abstraction and generality, i.e. grand theory. Service research had not found the core of service although many researchers touched on it from time to time. For example, the theory could not handle the dependency between goods and services. My own efforts to make a synthesis and develop higher level and general service theory were not as successful as I had wished.

Service research so far rested on several unsupported assertions and axioms. The Nordic School had questioned many of these and built up major service research centers such as CERS at Hanken (Finland) and CTF at Karlstad University (Sweden) and service research spread to many universities and smaller groups as well as to individual academics and consultants. Richard Normann (2001) spending much of his time in Sweden and Finland reconceptualized service thinking both through academia and consultancy. It is probably true that Finland and Sweden have the highest density of service researchers in the world. But service research emanating from business schools and business and management departments within universities has not spread to economics or to other social sciences like sociology and psychology. This lack of cross-fertilization is an alarming sign of low productivity of academic research and education.

In the early years of the new millennium a renewal of service appeared and instilled in me a new period of excitement. It was efficiently launched through two distinct approaches, S-D logic as a synthesis and the beginnings of a grand service theory; and the long term research program by IBM, Service Science, Management and Engineering (SSME) usually just referred as service science (Maglio and Spohrer, 2010). They raised many of the issues from

the Nordic School and other international research and conceptualized them further. As always in science there is not complete agreement about future developments, especially not in a transition period (Grönroos, 2011).

I have made a rough division of the recent history of service research in three periods (Gummesson, 2012):

- *Paradigm 1* (pre-1970s). Services were not recognized; it was all about consumer goods and manufacturing.
- *Paradigm 2* (1970s-2000s). An era of emphasizing goods/service differences; in rhetoric customer centric but in practical action supplier centric: do *to* the customer.
- *Paradigm 3* (2000s-). An era of commonalities, interdependencies and a systemic, stakeholder centric approach addressing complex ecosystems with cocreation, resource integration, relationships, networks and interaction: do *with* others.

We are now establishing service in the Paradigm 3 era. A new logic of service broadened to embrace the whole of economic thinking is in the making. The transition is quick in some academic and practitioner circles but slow in others. Some try to have one foot in Paradigm 2 and one in Paradigm 3. They keep citing articles from the 1980s which are since long obsolete but were written by well-known professors. The articles once made a contribution but are now history. Unfortunately the reference system promoted by journals encourages authors to repeat the best-known references of the past, even when they are outdated. It means that the more an author has been cited the more he/she will be cited. The Reference List then becomes a Celebrity Name-Dropping List. If we had lived during the Scientific Revolution in the 1600s when it was eventually accepted that the world is not flat but round and is not the center of the universe, they would still have behaved as if the earth is flat and the center of the universe – but admitting that the earth had some rounded corners and was somewhat dependent on other planets. Unfortunately Paradigm 2 research and articles are still published in scientific journals. There is the Flat Earth Society for those who still believe the earth is flat; perhaps there is now need for a Flat Service Society.

A paradigm also includes the postulates of the research methodology-in-use. The best known methods paradigms are the *positivist paradigm* and the *interpretivist paradigm*. I introduce the *complexity paradigm*, appointing complexity to be the nucleus of social science research.

METHODOLOGY: ELEVATING CASE STUDY RESEARCH TO CASE THEORY

After my PhD dissertation I wrote a book about methodology, published in Swedish in 1985 and in 1991 by Sage in the US under the title *Qualitative Methods in Management Research*. It has since been revised and reprinted several times (Gummesson, 2000). I am both happy and surprised to note that despite the fact that the book has been around for several decades the citations grow at a progressively faster rate; in June 2014 they were over 3,200 (www.Harzing.com).

The interest in the book caused Sage to ask me to write a book on case study research. I had considerable experience of the method both as a consultant and scholar. My dissertation included 20 types of professional B2B services – management consultants, auditing firms, architects, business lawyers among them – and four cases of the actual buying-selling processes of professional service. I agreed to writing the book – but wasn't ready for it. It got a bit under way but in the process it became obvious that there was more to case study research than I had realized. But John Van Maanen of MIT encouraged me and Sage kept coming back on it. A couple of years ago I felt: It's now or never! Thank you, Delia Martinez-Alfonso for your patience and understanding! Eventually the book is now under publication (Gummesson, 2015).

During the past decades a large number of books on case study research have been published. I have some 25 of them and uncountable books and articles on qualitative research, quantitative research and the philosophy of science, and numerous articles and PhD theses of case study research applications, especially from the Nordic School. Together with my own experience the publications have been a great source of inspiration. I still felt that the method was not entirely understood and had an unexploited potential. The new developments had mainly come from general qualitative methodology, the improved access to data through the Internet and social media, and smarter software to classify, structure and retrieve qualitative data. The emergence of new – and controversial – scientific paradigms such as interpretivism, post-modernism and critical theory have also added new dimensions to case study research.

The purpose of my new book is to elevate the status of case study research to where I think it belongs in science. During the writing of the book I found more to add and change than expected. I therefore saw it justified to put *innovative* in its title and gradually change the name of the methodology from case study research to *case theory*. The designation is analogous to other methodologies, for example grounded theory, practice theory, network theory and systems theory. In this sense the term theory covers both the *process* of knowledge generation and the *outcome*, the new knowledge.

The next sections offer a summary of characteristics of case theory. Some of them comply with the mainstream but others are new or are given more weight. In the book the new approach is motivated in more detail than this short paper can offer.

The Complexity Paradigm and Interactive Research

The first thing to do in research is to identify a topic or problem representing phenomena that you find interesting, set a purpose for your research and ask research questions. If you start with a research technique and for example take the statistical survey for granted as scientific and the natural choice and further take it for granted that statistical hypotheses testing will produce superior knowledge – and many business schools do – you have missed out. To be amenable to quantification data have to be *stylized* to make them easier to handle in equations (Kaldor, 1957). My conclusion is that they could equally well be called “distorted data”. Social phenomena are complex but social scientists seem to shun complexity. In traditional

positivist and quantitative research complexity is stylized by making non-linear phenomena linear and reducing a problem to an independent variable causing an effect on a dependent variable. In statistical surveys randomly selected respondents structure their answers in “yes/no/don’t know” boxes or as points on scales. The data can be listed in tables and diagrams but also be further analyzed with advanced statistical techniques. In this way quantitative researchers claim that the research becomes objective, rigorous, generalizable, and that its reliability (replicability) can be measured. The survey technique is productive in situations where simple, straightforward answers are sufficient. It is taught as a generally applicable technique and has become grossly overused in business schools and organizations. It cannot address complexity and its validity and relevance is low.

Case theory can address complex issues with an unlimited number of variables and links – and that’s what business and management is about. Although case study research is used to study phenomena which cannot be addressed through statistics or mathematics, dealing with complexity has rarely been put in the center as its most significant property. Instead cases study research is described as anecdotal, exploratory, conceptual, and a prelude to quantitative research.

Currently *big data* is launched as the future panacea of knowledge development. It claims that we now have so much data, that the data volume increases every nano-second and that computers can quickly combine data into meaningful patterns, i.e. generate theory. We do not have to worry about causality; covariance is enough to objectively and rigorously sort things out. I have heard similar prophecies throughout my professional career. The first was the PIMS project, Profit Impact of Marketing Strategy, which started in the mid-1960s. Grönroos and I interviewed key PIMS people at the Harvard-allied Strategic Planning Institute in the 1980s and I later met representatives in Sweden. PIMS may have raised awareness of the elusiveness of marketing issues but its legacy is poor despite the enormous resources that were put into it. One of the lessons we should have learnt by now is the weaknesses of quantitative research when trying to establish simple solutions to complex issues without really addressing the complexity. What big data will create in the future I don’t know; I am not that software sophisticated. I have learnt to be careful with making predictions so let me keep an open mind. Waiting for a big data paradigm shift in science I will stick to upgrading case study research to case theory.

By digging into complexity the core of a phenomenon can be found and valid and relevant theory based on real world data can be designed. This requires close access to data which in turn opens up for a series of data generating techniques of which informal interviews, focus groups and observations are the most frequently used. Still these are often too detached from the object of study to offer high quality data. I have therefore since long advocated *management action research* as a designation for involved research where the researcher has the dual role of researcher and actor. In contrast to the conventional requisite that the researcher should be detached, I emphasize the need for *interactive research*: interaction with data, with respondents, between your inner and outer self, and so on.

Knowledge as Pragmatic Wisdom

The purpose of doing systematic research is to acquire more and better knowledge. Knowledge remains a major philosophical issue since millennia. It is a fuzzy concept and perhaps we will never quite grasp it. But today we claim that we live in the knowledge society, the employee is a knowledge worker, and knowledge is the major economic resource.

My knowledge concept includes two interdependent types:

- *Explicit knowledge* which can be communicated to others through words, numbers, graphs and software. It is open to be assessed by others and therefore be intersubjectively, sometimes even objectively, verified. It is the hallmark of mainstream positivist science but it has severe limitations.
- *Tacit knowledge* which cannot be openly communicated (at least not yet) but can be learnt though participation and practice. Tacit knowledge includes common sense, experience, intuition, sound judgment, insights, wisdom, instinct, hunches, gut feeling – there are lots of words that attempt to pinpoint this wordless rascal. It is not accepted in mainstream science but is present whether you like it or not. Launched by Polanyi (1966) tacit knowledge has been tied to business by Nonaka and Takeuchi (1995) who show how Japanese companies use it and work systematically to make it explicit.

My thesis is that genuine knowledge grows from an iterative and interactive process between the two types and I put equal weight on them. This may disturb positivists, but I cannot see that explicit knowledge alone can help us advance the frontiers of knowledge. Some of the tacit knowledge may become explicit but some will not. As a researcher you should be true to yourself and the world, trying to look at yourself both from the outside – *extrospection* – and the inside – *introspection* – where you find your tacit knowledge. You need to be a *reflective researcher* and not just an administrator of a certain research technique. Furthermore, in business and management your theory needs to be applicable in practice.

We have to accept that reality is fuzzy and ambiguous. Therefore concepts and categories are *fuzzy sets*, meaning that they have a core from which the meaning fades away gradually and overlaps with other concepts and categories. By stylizing everything to fit square boxes with clear boundaries (*crisp sets*) we take out a substantial portion of reality. The words *pragmatic* and *practical* have the same roots, both referring to getting things done. I use the concept *pragmatic wisdom* for what can be transformed into decisions, actions and results. It has a wider meaning than just knowledge and in case theory it is the most developed form of knowledge.

The Purposes of Case Theory: Particularization, Generalization and Theory Generation

Case theory has two purposes which can also be interrelated:

- *Particularization.* We can study a particular case for example to help an organization solve a current problem or develop a specific area, such as its accounting system. This is the market for consultants. There can also be a specific interest in a company like how Steve Jobs made Apple come up with breakthrough innovations and during his last years made Apple the highest valued company on the stock exchange.
- *Generalization.* It is routinely claimed that results from case studies cannot be generalized. I disagree. It is a misunderstanding peddled by quantitative researchers that all generalization is statistical. The bulk of research in business and management results in fragments and their relationships to other knowledge are not established. We need more general theory that is grounded in the real world and not based on preconceived theory and highly stylized data. A single case can generate *substantive theory* meant to better understand a specific situation. This theory can be applied to cases which are similar to the original case. It can also be the start for a row of cases and theory generation toward generalization to *mid-range* and *grand theory*. It is *analytic generalization* concerned with understanding How? Who? and Why? A widespread misunderstanding is that generalization is always *statistical* answering questions of quantity: How much? How often? and How many?

Mid-range theory should be pragmatic and be used until something better comes up; it has also been called *currently useful generalizations*. It consists of models, checklists and heuristics. Both consultants and scholars have made themselves known for such theory. In business strategy some of the most wide-spread are the *SWOT analysis* combining strengths and weaknesses with opportunities and threats; the *Boston Matrix*, best known for identifying "cash cows"; and Michael Porter's *value chain* and *five forces of competition*. The academic researcher has a scholarly responsibility to offer theory that is actionable. The problem arises when for example it was discovered that the value chain and the five forces were inadequate and Porter's consulting company went bankrupt in 2012, because it was not well-rooted in today's reality. In marketing, the *4Ps* – *product*, *price*, *promotion* and *place* – have been carved in stone and after half a century still dominate marketing textbooks although their practical relevance is not supported by new general theory.

The categories substantive theory, mid-range theory and grand theory are seen as fuzzy sets thus forming three partly overlapping *theory zones* stretching from the concrete and specific to the abstract and general. Mid-range theory has three main sources which are often combined: experience and other tacit knowledge, explicit research from specific cases, and grand theory from the zone of high abstraction. Grand theory, which has found the core of a phenomenon, should be able to send back *simplifications* to the mid-range zone where it is made implementable in practice. As these simplifications have gone all the way from substantive data and up to conceptualization and integration of data fragments into grand theory they are a contribution to pragmatic wisdom.

Case theory thus makes it possible to contribute to the development of better theory. It further makes it possible to test theory through constant comparison between extant and new theory. Theory testing is usually taken from quantitative and positivist theory demanding that hypotheses are set up and tested on random samples. I do not subscribe to this as a panacea. If case research comes up with new knowledge, the new theory could be compared to the reigning theory and if found better it should replace it. The transition to the new should not be held back by elaborate, quantitative, costly and time-consuming tests of the old. If a better theory is found – like the theory found in Paradigm 3 is better than theory from Paradigm 2 – we should leave Paradigm 2 to historians. Pragmatic wisdom in business and management is about the present and the future and not about the past.

Theory develops both from *incremental improvements* of current theory and the *discovery* of new theory. All this refers to new knowledge – *innovation* – which is the current buzzword in business and management research.

From Thick and Rich Descriptions to Scientific Narratives

In the core of case study research is the case narrative, which is perceived to be a primarily verbal *description* although it can include quantitative and graphic elements. It is often presented as an objective description of data and fact of an organization, an event, a process, etc. free from analysis, interpretation and value judgments. But you can't make such a description even if you want to. Any description requires the writer to make choices about what to include and to find the "right" words and structures. Therefore a description is also the beginnings of analysis and interpretation. Further, *thick* or *rich* description is recommended – but watch out! A thick report only becomes rich if the data has relevance to the research questions. So thick and rich are not about a maximum but about an optimum or in practice about what we have to accept as satisficing.

The real scientific contribution of a narrative is the *conceptualization* of the case. It is primarily verbal which is a limitation. For that reason I have extended case theory to include two languages which can deal with complexity in a more systematic and structured way. These are *network theory* and *systems theory*. They offer the languages of links and nodes and various types of components and systems. The two theories can be used on different levels of sophistication. You can use them in a discussion and proceed with graphic paper-and-pencil sketches to make the discussion more structured and clear. Eventually you may be able to assign numbers and make statistical and mathematical computer simulations.

There are no shortcuts. If you start out with quantifications and simulations without having founded the issue on explicit empirical data, your best tacit knowledge and theory generation you fall into the trap of techniques over useful results. Today very few social issues go all the way from the basics to the most sophisticated techniques. A major reason is limited knowledge among researchers and time and other resource restrictions. By extending the case narrative beyond the verbal with an effort to be more systematic, the case narrative can be given a higher scientific status and deserve the designation of *scientific narrative*.

Context, the Persona Factor and Researchscapes

The research context for business and management disciplines is business enterprises, governments and non-government organizations, and households (consumers and citizens). Methodology books claim that social science methodology is generally applicable. It is only half true; some of its elements can be shared but others have to adapt to the context where they are applied. In case theory I stress context dependency.

First, there is the context of the domain for our research. It is presented in a conceptual language, especially so in quantitative research, whereas in reality the specific personalities that act in the context should also be considered. This is referred to as the *persona factor*. Second, I also stress the persona of the individual researchers and the group of researchers and research systems to which they belong, the persona of *researchscape*. This means recognition of subjectivity, discredited in mainstream research but very much present in real life. The famous sociologist Robert Merton Sr. wrote about the sociology of science in the 1950s and laid bare that research had a social side and not just an objective, detached side. The persona factor exerts considerable influence on how research is performed.

Quantitative and Qualitative Research: The Terrorism of Received Categories

Numerous categories have established themselves since decades and centuries and are routinely applied in academic research. Many of them are irrelevant and outdated. They terrorize our minds and researchscapes and detract us from what is important. They give rise to pseudo-research.

Case study research is routinely classified as qualitative and second to quantitative research. I want to dissolve this categorization; it does not contribute to the quality and productivity of research. It creates self-imposed restrictions and a focus on methodological ritual over relevant results. It does not contribute to pragmatic wisdom. Quantitative and qualitative are just two languages: the *numbers language* and the *words language*. The numbers language flatters itself of being rigorous, objective, scientific, generalizable and offering reliability and validity. Chose any great attribute you can find and quantitative research has it! Qualitative research on the other hand is characterized as a conceptual and explorative pilot stage to doing the real thing which means going empirical (read: quantitative) and formulate and test hypotheses.

In communications theory it is known that the spoken and written language only accounts for the minor part of communication between people while “body-language” accounts for the major part. Still we limit the vast majority of academic research to words and numbers. Quantitative and qualitative are just two of many properties of research but not the overriding ones. When you take a close look at quantitative research and even if it deploys sophisticated statistical techniques like factor analysis and structural equations, you can list dozens of objections: they are dependent on subjectivity, facilitating assumptions, stylized data, and judgment calls but the researchers do not stress these shortcomings or may not even be aware of their influence.

Among other phenomena that do not deserve a place as overriding categories are goods and services; the service sector, the manufacturing sector and the agricultural sector; supplier and customer; social science, natural science and the humanities; high tech and high touch; online and offline; analogue and digital; and global and local. They are just some among numerous dimensions that can be used to characterize business and management. But these terror categories are used by the mainstream service research. Quantitative positivist and deductive research uphold them and let them form the starting point for research. They are rooted in Paradigm 1 and 2. In Paradigm 3 of service and management research many of them are abandoned and have found a place on the level where they belong. There is more to do and who knows, maybe there is a Paradigm 4 lurking around the corner.

Additional Case Theory Tenets in Brief

The following tenets are equally important as those discussed so far and will need further explanation. Considering the space of a short chapter they are only mentioned here to make the reader aware of their existence as part of case theory:

- *Reduction of data is recommended in the methods literature.* Instead it should be *condensation* of data, making data more comprehensive and dense without losing in content.
- *Analysis and interpretation.* Analysis is the effort to break down a situation into well-structured categories and concepts using operational definitions and constructs. Interpretation is a merger of explicit and tacit knowledge. Analysis should always work hand in hand with interpretation.
- *From either/or to both/and.* Western science lives in an either/or world instead of accepting the both/and of reality. I avoid talking about opposites and consider phenomena interdependent and complementary. This thinking is a natural part of Eastern philosophy.
- *Validity and relevance.* The validity of the outcome of research and its relevance-in-use are more important than the positivist reliability and rigor of the research process.
- *Single, multiple or embedded cases.* Cases are usually classified as single, multiple or embedded (nested). To me this is less important. A single case is often followed by more cases to reach saturation of data unless the purpose is limited to a particular case. Multiple cases can be anything from two to hundreds or even thousands and there is no standard rule for the number; it's always contingent on what you are studying and why. In the light of systems and network theory *all* cases are embedded which makes the category redundant. What else could cases be? Stand-alones with no connection to the rest of world? "No man is an island, entire of itself", as the English poet, priest and lawyer John Donne wrote 400 years ago.
- *Inductive, deductive, abductive.* Inductive research starts with real world data from interviews, observations and other sources without using any preconceived theory.

Train yourself to be a blank sheet as much as you can and let reality emerge. Deductive research starts with extant theory and reality is forced into its format. The initial inductive research is followed by deductive phases and data is organized in concepts and categories. This combination is sometimes referred to as abductive research. But the starting point constitutes the critical difference between inductive and deductive research.

- *Temporal aspects.* It is often claimed that case studies are about contemporary phenomena but I see no time restrictions. Case theory can encompass *ongoing processes* (the present), be *reconstructive* (the past) or be *predictive* (the future). The time dimensions are interlinked but all offer specific challenges and all are afflicted by uncertainty. Being part of an ongoing process is sometimes straightforward but often we cannot grasp its complexity. We may think we can find out what happened in the past but in the complex social settings of companies, governments and markets it is difficult to sort out the essentials and to get access to pertinent data. The past and the current connect with tomorrow and we start making predictions. Although there is a classic requirement that good theory should have predictive capacity, predictions remain guesses unless there is a stable, repetitive pattern like the number of kids born in a year determines the need for schools some years later. If the future is affected by discontinuities, like the new infrastructure offered by the Internet, mobile communication and social media, there is no established pattern.

AN ILLUSTRATION TO CASE THEORY

To help make case theory more tangible for the reader the chapter ends with an example from a recent Nordic School PhD thesis presented at the University of Tampere, Finland (Närvänen, 2013; Närvänen, Gummesson and Kuusela, 2014). This illustration does not cover all case theory aspects but it hopefully gives a fair idea about what case theory is.

The case is Reino & Aino (R&A), a Finnish manufacturer of slippers. The product was traditional grandpa and grandma slippers but sales were fading. R&A was taken over by new owners in 2005. From 50,000 pairs sold then, sales had risen to over 500,000 in 2010. The slippers became a lifestyle product for all ages. Close business-to-customer and customer-to-business (B2C/C2B) cocreation and local events organized through customer-to-customer (C2C) interaction made this happen, keeping the marketing budget low.

The purpose of studying the case was to extend the understanding of collective consumption of brands by finding and categorizing heterogeneous consumption communities based on inductively generated real world data. It is a theory generating approach which considers the complexity of real markets. Data was generated through over 30 in-depth and informal personal interviews, observation and participation in two R&A events during altogether six days generating 54 pages of field notes and 300 photos taken by the researcher. In addition offline and online documents were studied, among them photos, advertisements, blogs, Facebook and fan group interaction. Analysis and interpretation, although partially

simultaneous with data generation, was performed through constant comparison between the specific data of the case and extant literature and theory.

The thesis is based on a single case and is primarily guided by practice theory where the actual practices, habits and routines of consumers are studied (see also Helkkula, Kelleher and Voima, 2012). When it was written I had not yet introduced case theory but many of its elements have been discussed in my articles during the past ten years and are found in the thesis. For example, the complexity of communities is recognized and is seen as networks of people; mixed methods for data generation and analysis are used; efforts are made to secure access to high quality empirical data; and the single case is the empirical base for generating theory in both the substantive, mid-range and grand theory zones. And Paradigm 3 is underpinning the study. The slippers are not treated as goods but as part of service and value-in-use. It shows that all economic activity is based on cocreation and resource sharing involving relationships between numerous stakeholders; it is not just a supplier doing something to a consumer.

In the spirit of case theory a single case is always embedded in networks and systems. The single case offers an opportunity to inductively go deep into an issue. The R&A case became the kick-off for a journey through extant classifications of consumer communities and collectives. Through constant comparison with them and the data from R&A the heterogeneity and complexity of collective consumption stood out and generated a new way of categorizing consumer collectives. The outcome was a theory going beyond the single case and can be used as a starting point for other case studies to strive in the direction of both practical mid-range theory and general, grand theory. It is not a matter of testing hypotheses but of doing further cases based on purposeful sampling toward saturation.

CONCLUSIONS

My advocacy for case theory is an effort to propel service research as well as other research in economic sciences in the direction of more realism. We need to address the complexity of management, business and economics, generate grand theory and from that derive the necessary simplicity needed to make decisions, implement them and achieve results. Case theory can offer higher validity and relevance by focusing on outcome instead of on details of the research process and techniques to augment reliability and rigor. By accepting the tenets of fuzzy set theory from mathematics it is only natural to let explicit and tacit knowledge join forces to develop pragmatic wisdom.

I do not live under the illusion that case theory is the final answer – understanding what knowledge is has been on the philosophers' agenda for thousands of years and still is – but I hope it can make researchers aware of the need to advance research methodology and stimulate them to make their own contributions. It is also an urge to positivist researchers to see the limitations of quantitative research and stop claiming that the numbers language is a generally valid highway to scientific excellence.

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SPAT (SWITCHING PATCH ANALYSIS TECHNIQUE) – A QUALITATIVE APPROACH TO CUSTOMER RELATIONSHIPS

¹Inger Roos

My aim in this chapter is to cast ‘a critical eye’ over one qualitative approach to understanding firm-customer relationships: the Critical-incident Technique (CIT) (Flanagan, 1954). In particular I discuss the variants of CIT (Bitner, Booms and Tetreault, 1989; Stauss and Weinlich, 1997), one of which is SPAT (Switching Path Analysis Technique: Roos 1999a, 1999b). I believe the presentation of qualitative methods, including CIT and SPAT, should be clarified and revised on a regular basis. My standpoint is based on many reviews of manuscripts in which qualitative analyses are applied. In general, researchers seem to be lacking in knowledge about how to conduct qualitative research. Journal editors and researchers continuously point out at marketing conferences that the poor quality of the analyses in submitted manuscripts is a major reason for the low acceptance rate of qualitative as opposed to quantitative material. In line with the Nordic School (Gummesson and Grönroos, 2012), I would emphasize the importance of managing qualitative analysis. My intention in this chapter is to explain how the SPAT method was developed, and how it should be used in research. In doing so I hope to help aspiring scholars to apply this qualitative method correctly, thereby supporting the publication of qualitative studies that have been carefully carried out, and the reporting of results that are interesting and relevant to researchers and practitioners alike.

SPAT: BACKGROUND AND SUBSEQUENT LITERATURE ON SWITCHING BEHAVIOR

SPAT (Switching Path Analysis Technique) is a qualitative method for analyzing the reasons behind customers’ actual switching behavior. It differs from many other methods, including the Critical Incident Technique (CIT), in that it is applied on the relationship level as opposed to the level of the service encounter (Roos, 2002). SPAT focuses on actual behavior because it includes the switch, which corresponds to behavioral change in the customer. I developed SPAT as a result of my long experience of managing and developing customer relationships in a retailing context. As an owner of a supermarket I strove to understand customer relationships. After twenty-five years of participating in and observing customer encounters, however, I felt I was lacking in new ideas with regard to inspiring customers and retaining them by means of loyalty programs. Most importantly, I wanted to understand the real meaning of what they expressed during face-to-face situations in the supermarket, and later in the panel meetings with customers.

At that time, published qualitative studies focusing on quality and satisfaction relied on content analysis. The categories I used in my analyses also tended to follow the same

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principles and nothing profoundly new came out. Keaveney's (1995) study on switching behavior was a turning point for me and made me change focus: it dealt with actual behavior. However, I discerned from Keaveney's results that she had unconsciously obscured the dynamism in switching behavior. Although she found switching determinants and sub-determinants, she did not recognize that these two categories did not have the same roles in the switching process.

I also realized that it was necessary to develop CIT further in a relationship direction in order to identify what I hoped and felt would be useful: differences between the categories that related to loyalty and actual (switching) behavior in relationships. Not all factors that come up in service encounters have the same function in a relationship, and some may be more critical in evoking switching behavior than others. My conviction was that only customers are able to draw that map - to prioritize their reasons for switching to a competitor during the switching process. I wanted to understand fully the customer's reasoning before, during and after the switch, as actual behavior. It was therefore not only a question of ranking the categories, but also involved assigning roles and priorities to them. That long research process resulted in SPAT (Roos, 1999a).

The Applicability of Switching Path Analysis

The switching perspective has turned out to be preferable to other approaches in many situations, even for understanding ongoing relationships. There are concrete reasons for this: SPAT (a) offers a clear reference point for customer assessments and (b) focuses on actual behavior and the process; the reasons for switching are all interrelated. SPAT (Switching Path Analysis Technique) was devised in the context of the Nordic School (Roos, 1999a), and has been further developed in terms of identifying the differences between active and passive customers (Roos and Gustafsson, 2007, 2011) and its application to the B2B context (Selos et al., 2013).

Table 1 lists the various methods for analyzing critical incidents that influenced the development of the SPAT method.

Table 1. Various CIT methods compared (Roos, 1999a)

	Traditional CIT	Olsen	SIT	Liljander & Strandvik	SPAT
	Flanagan, J.C. (1954). The Critical Incident Technique. <i>Psychological Bulletin</i> , 51(4), 327-358.	Olsen, M.J.S. (1996), The Critical Episode Model as a Tool for Organizational Learning in Service Organizations. In <i>Service Management</i> Ed. Edvardsson, B. and Modell, S. Stockholm: Nerenius & Santerus Förlag Ab, Sweden.	Stauss, B. and Weinlich, B. (1997). Process-Oriented Measurement of Service Quality. Applying the Sequential Incident Method. <i>European Journal of Marketing</i> , 31(1), 33-55.	Liljander, V. and Strandvik, T. (1995). The Nature of Customer Relationships in Services. In Swartz, T.A., Bowen, D.E. and Brown, S.W., eds. <i>Advances in Services Marketing and Management</i> , 4, 141-167. London, UK: JAI Press.	Roos, I. (1999a). <i>Switching Paths in Customer Relationships</i> . Doctoral Dissertation, Publications of the Swedish School of Economics and Business Administration, No. 78, Helsinki, Finland.
Coverage of the study	Episodes Acts	Episodes Acts	Episodes Sequences of acts	Episodes Current and past relationships	Episodes Past and new relationships
Interview issues	Questions about critical incidents	Follow-up process questions	Questions about sequences of acts	Follow-up questions about critical episodes and the effect on the relationship	Follow-up questions about former and new relationships (switching path)
Focus of the study	Critical acts (incidents)	Critical acts in an episode Process in an episode	Critical acts in a sequence of acts within the episode	Critical episodes in a relationship	Switching from one relationship to another
Results	Determinants	Determinants Typology of episode micro-processes	Determinants	Strength of the relationship	Dynamism in switching paths

The first, basic version of SPAT was closely linked to the Nordic School in terms of both methodology and its focus on customer relationships. The actual-behavior approach in SPAT is related both to behavior and to the psychological aspect of the relationship between behavior and thought processes (Dijksterhuis et al., 2005; Simonson, 2005). Clearly, without having developed CIT into SPAT I would not have been capable of capturing and producing the results my research has yielded to date, which combine customers' processes with their consequential behavior (Roos, 1999b; Roos, Edvardsson and Gustafsson, 2004; Gustafsson, Johnson and Roos, 2005; Roos and Gustafsson, 2007, 2011; Roos, Gustafsson and Edvardsson, 2006). These customer processes include the dynamic, emerging triggers that

influence consequential behavior in terms of either staying on the switching path for the time being or switching to a competitor.

Considerable research attention has been devoted to conscious aspects of choice in the literature on service and customer relationships, whereas limited attention has been paid to influential aspects that lie outside customers' conscious awareness (Fitzsimmons et al., 2002). In the SPAT context, conscious relates to active customers and unconscious to passive customers (Roos and Gustafsson, 2007, 2011). Active customers consciously plan their switching behavior, whereas passive customers switch when contacted by competitors and do not plan such action in advance. The reason why active customers plan their switching is that they constantly search for information and build up knowledge about their relationships, and make their decisions accordingly. Passive customers do not plan or search for information and therefore have little or no knowledge about their relationships, which makes them easy targets of competitors' campaigns.

In order to apply SPAT, or any qualitative method, the researcher needs to have a genuine understanding of the qualitative approach, which is the starting point for method development and use. The methodology adopted by the Nordic School could make a good contribution here. A thorough understanding of qualitative concepts also seems to be a competitive strength in publishing research (Gustafsson et al., 2005).

I will now describe the SPAT method, and then discuss its application in various contexts (Appendix 2). The empirical and methodological descriptions are not new: they refer to and draw together earlier studies looked at in a new light. The results and procedures are the same as they were when the results were first published.

QUALITATIVE RESEARCH NEEDS SYSTEMATIC PROCEDURES

Arriving at an understanding of what happens over a longer time period requires an awareness of thought processes, which may be conscious or unconscious (Cleeremans, 2001; Milner and Goodale, 1998) and are closely related to the theory of reasoned action (Sheppard, Hartwick and Warshaw, 1988). The literature on reasoned action is considered more closely in the next chapter describing the search for a method designed for mapping relationships in terms of actual behavior. There are various approaches to the study of processes, although Van de Ven (1992) argues that the only alternative is to describe and account for how certain entities or issues develop and change over time.

The difference between predicting and controlling future behavior

In an early study on the theory of reasoned action Sheppard et al. (1988) assessed how well Fishbein and Ajzen's model (1975) performed in predicting and also controlling future behavior. Their main concern was with the behavioral outcome. The model applies more to the intention to buy a house than to the eventual ownership of it, for example: attitudes are closely related to behavioral intentions. Moreover, the addition of subjective norms improved

the model's performance in terms of both goals and behaviors. Thus extending the individual weighting had a positive effect on the prediction of future behavior.

Later on, Ajzen, Brown and Carvaljal (2004) shed new light on the discrepancy between how individuals really act and how they intended to act. Previous studies address this problem in varying ways. Ajzen (1991), for example, discusses stability related to habit when past behavior is considered in the context of the theory of reasoned action. Observing habitual behavior does not explain the seemingly stable habit of using the same bus to the university, for example: if students change their behavior, *the reasons for the change say more about stability over time* (Gustafsson et al., 2005).

The outcome of the switching process as the “goal situation”

As Ajzen et al. (2004) state, there is a connection between speech and actual behavior. Ajzen (1991) discusses the residual effect of past behavior and the missing factors on stability: it is a problem to find and include the ‘right’ factors. According to Sheppard et al. (1988), “Fishbein and Ajzen’s model, which was originally developed to investigate an intention to perform a single behavior with no choice, performed best in a situation involving an explicit choice among alternatives” (p. 339). Consequently, the present study introduces a research process in which the starting point is actual behavior and the switching situation (choice situation) includes several alternatives. Moreover, it is not only “the single behavior” situation but also “the goal situation” that improves. The process described thus complements Fishbein and Ajzen’s model in two ways: (1) *it includes several alternatives in the choice situation, and (2) it establishes the stability of the future choice (switched-to alternative).*

SPAT as a tool for filling the gap between the outcome and the state

Switching is the result of actual behavior (Ajzen et al., 2004). The Switching Path Analysis Technique (SPAT) (Roos, 1999a) was developed on the assumption that an incident is critical when its consequences are clear. As far as actual switching behavior is concerned, there is no doubt about the consequences.

THE PROCESS OF APPLYING THE SWITCHING PATH ANALYSIS TECHNIQUE (SPAT)

Figure 1 depicts actual behavior as an outcome. In the interview situation the customers are already customers of the competitors. In other words, the interviewer has the whole picture of the switching process and sees actual behavior. Triggers determining the stability of the outcome and the switching determinants are less important.

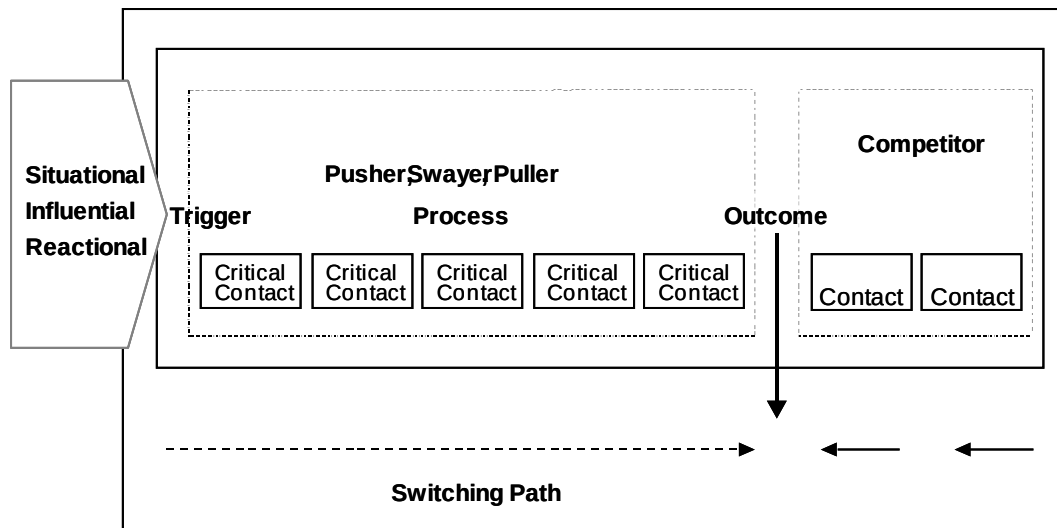


Figure 1. Switching Path Analysis technique (SPAT) (Roos, 1999a)

SPAT tools include an interview guide, and analytical (code system) and reporting frameworks together with exact definitions of the concepts.

The code system:

- Switching determinants (customer-perceived switching reasons)
 - Triggers (situational, influential and reactional)
 - Active trigger (customers are active regarding the switch; they search for information and choose from among alternatives)
 - Passive trigger (customers do not plan to switch, possess little information about the alternatives and do not plan to switch; they may switch immediately when contacted by a competitor who tempts them).
1. The interview guide (Appendix 1). The first question, “Why did you switch?” elicits almost enough information in some situations but not in others, in which case the interviewer may have to follow the guide to the end. The interviews are preferably recorded and transcribed in order to facilitate repeated reading.
 - a. Switching determinants appear first in the customer’s responses in the form of his or her perceived switching reasons and in answer to the question: What?
 2. Switching paths differ in character according to the trigger and how it appears in combination with the determinant configuration directing the customer on the path. There are three types of trigger. Triggers usually appear later in the interview in response to the question: Why? “Why does the customer mention that switching determinant”? For example: “I find the product too expensive, which is why I switched to a competitor. My income has been gradually decreasing for a long time”.

Price appears in this citation as *the switching determinant*, and *a shrinking income* as *the situational trigger*.

A *situational trigger* is something that is beyond the control of the switched-from service provider. It intensifies the sensitivity of the situation, frequently reflects demographic or economic change affecting the customer, and is always *active*. An *influential trigger* is at work when conditions in the switched-to service provider attract the switching customer. It may be *active or passive* depending on whether the customer or the switched-to provider initiated the switching. *Reactional triggers* influence the customer's sensitivity to matters inside the switched-from service provider, often a critical incident, and are always *active*.

3. *Active and passive triggers*. The differences between *activity and passivity* in relationships and how they affect their *stability* is striking (Appendix 2). Active customers are more stable than passive customers: *they plan their switching or staying*, they collect information and know thereby why they patronize a certain service provider but also why they switch. On the other hand, passive customers asked about their plans to switch almost always express an inclination to stay with their current service provider. However, if *they are contacted or tempted by a competitor they tend to switch*.

Those responsible for interview and analysis procedures would do well to take note of the following points. It should be borne in mind during these stages that the customers' **perceived reasons** for switching answer the 'what' question. What caused the switching, in other words what was the **switching determinant**? Interesting additional switching determinants may arise as the interview story continues, although they may not be as strongly expressed and they may be positive or negative. A positive additional determinant may prolong the switching process whereas a negative one may shorten it. These additional determinants are categorized as **swayers**.

When customers repeatedly state their **reasons** for a recently mentioned particular switching they are answering the 'why' question. Why does this customer give Price or Location as a switching determinant, for example? The answer depends on where the **triggers** occur in the story. It may take some discussion before it becomes clear which are the determinants and which are the triggers. It is always useful for further analysis to encourage respondents to continue the discussion.

Categories such as overall satisfaction, image and a willingness to return tend to emerge from the interview. What is interesting here is how the image of and satisfaction with both the switched-from and the switched-to service provider are expressed. Surprisingly, many respondents state that they were not dissatisfied with the switched-from service provider despite talking about their switching behavior.

The triggers drive the switching processes whereas the determinants move them along, as in the general definition.

The categories on the switching paths incorporate the differences between active and passive triggers. It would seem necessary to identify the dimensions of activity and passivity through the link to actual behavior. Here, actual behavior is described as switching behavior.

THE FUTURE DEVELOPMENT OF SPAT

Defining the difference between active and passive customers in terms of their stability in their customer relationships opens up new application areas for SPAT. One such area is communication. Nowadays, when face-to-face interactions between companies and their customers have been reduced to a minimum and replaced with different forms of distant communication such as newsletters, information on the Internet, social media and different kinds of order systems, communication is critical.

Ajzen et al. (2004) assessed the effect on stability of the interplay between triggers and communicative factors. They found that taking into consideration individual customer differences in the ability to perceive messages as active or passive would definitely be an interesting avenue for future research. In other words, once the differences between the company's customers in terms of being active or passive are identified the communication may be adjusted according to the proportions of each, and to a more precise definition of active and passive customers in the specific context. As a result, the company's communication would inherently differentiate between the customers' ability to understand and their willingness to read the messages that are sent to them. Given the crucial importance of the Internet as a communication channel in today's business world, companies should improve the sharpness and aptness of their messages, as illustrated in distinguishing between active and passive customers.

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APPENDICES

A 1

Interview guide

Male
Age

Female
Education

Family size

- Have you stopped using a specific service provider during the last 6 months, or changed the frequency of your visits?
- Why did you do so?
- Did your decision surprise you? Was it planned? If it was planned, please tell me about the process that led to it.
- How long was the process?
- How long had you been patronizing the service provider that you switched from?
- If an interruption of the relation was planned, what made you postpone the switching?
- Did anything special happen the day that you decided to switch? What happened? Can you describe the incident?
- Did you complain to the personnel?
- How did they handle your complaint?
- Had you complained about the situation before? How did the seller handle your complaint?
- What feelings did you experience at the moment of the incident or event?
- Did the feelings arise during the situation, or can you remember anything special about the feelings you already had when you arrived at the supermarket? What were your feelings when you arrived?
- Can you tell me about your feelings when you left?
- Is your decision final, or would you consider patronizing the service provider again after some time?
- What kind of provider did you change to? Can you tell me something about it, such as the location and type of service?

A 2

Applications of SPAT in different industries

Table 2. Systematic testing of SPAT (Switching Path Analysis Technique) for its development

Setting	Data collection	Trigger	Switching determinant	Development level
First case: Supermarket	76 interviews 84 switching stories	27 Situational triggers 36 Influential triggers 21 Reactional triggers	Range of goods, Location, Price, Competitor, Merchandise, Design, Co-customer, Failure of system, Policy, Variation, Product mix, Service policy, Failure of service, Atmosphere, Personnel, Habit, Queuing.	The difference between triggers and switching determinants was established
Second case: 4 different settings				
<u>Banking</u>	27 interviews	20 Situational 4 Reactional 3 Influential	8 Loan conditions; 5 Service; 4 Location of branches; 3 Loan negotiations; 3 Money transfer time	Confirmation of the stability of the categories in different settings
<u>Tele-communications</u>	96 interviews	59 Influential 25 Situational 12 Reactional	46 Price; 21 Customer support; 10 Change in product use; 9 System failure	Confirmation of the stability of the categories in different settings
<u>Insurance</u>	80 interviews	39 Situational 21 Influential 20 Reactional	44 Price; 8 Effortless negotiations; 10 Insurance terms; 5 Insurance bunching	Confirmation of the stability of the categories in different settings
<u>The Swedish social-insurance system</u>	100 interviews	21 Reactional	Rules and bureaucracy Form design Routines of the social-insurance bureau Unfriendly treatment Waiting time	Changes in customer behavior not supportive of but with implication for stipulated routines.
Third case: Tele-communications Longitudinal study over 6 years	140 interviews -annually over 6 years -switching stories relevant to this analysis include those told by respondents who started and ended with the same telecom operator	At the 'end stations' of the 6-year switching stories, when it was possible to assess stability, the trigger distribution was: 71 triggers <u>Situational</u> : 12 Active and 0 Passive <u>Influential</u> : 10 Active and 47 Passive <u>Reactional</u> : 2 Active and 0 Passive		Verification of the of the influential trigger as either active or passive. Customers reacting to active triggers are more stable than those reacting to passive triggers.

The above cases are described in more detail below. These particular applications of SPAT were chosen to show how the method developed between 1999 and 2007 (see Roos et al., 2011).

1. The first case establishes the definition of the triggers and the switching determinants.
2. The second case confirms the identified categories in different settings.
3. The third case verifies the further categorization of the influential trigger as active or passive.

The first case listed in Table 1 was conducted in a supermarket setting in which the first SPAT analysis was carried out:

Application of SPAT: First case – Supermarket

Method development: the difference between the triggers and the switching determinants

The aim in the initial demonstration of the method was to identify and divide the factors on the switching path into triggers and determinants, which have different roles in the switching process. Empirical studies were conducted in different supermarkets and a total of 76 interviews were carried out. It was established that triggers drive the relationships whereas determinants move the process along (Roos, 1999).

The second case includes four different settings, which are described separately.

Application of SPAT: Second case – Various settings

Method development: confirmation of the stability of the categories in different settings

SPAT (Roos, 1999) was used as an analytical tool in all the empirical studies carried out within this case. All the cases were part of an earlier study (Roos et al., 2004), but here the special focus is on the outcome when the departure is switching behavior. The further development from the supermarket case is that SPAT is applied in different settings, including a non-competitive industry (the Swedish social-insurance system).

The first setting represents the banking industry

The dominance of the situational trigger (20) is not surprising given the specific industry characteristics (Table 1). The lack of influential-trigger (3) dominance, on the other hand, is unexpected. The influential trigger is commonly related to partial switching, and partial changes of business to competitors are therefore less advantageous than total change. Reactional-trigger paucity (4) indicates well-managed critical incidents.

The second setting represents the telecommunications industry

The telecommunications case includes two different switching studies carried out during the same year. The telecommunications industry has faced really keen competition in recent years because it has had to adjust to and enter an unregulated market. The focus is visible in the use of the company as a comparison standard in customer expressions of preference.

Traditional telecom companies offer a wide range of products. The new competitors, however, have narrowed their offerings and concentrate mainly on the mobile-phone market. The telecom market turned turbulent and unpredictable because of new competitors' efforts to achieve a decent market share. At first glance, the price-switching determinant seems totally to dominate the reasons for switching. Comparing the switching-path configurations highlights other reasons.

The third setting represents the insurance industry

The competitive situation of *insurance companies* has changed radically in recent years, at least from the companies' point of view. From the customers' point of view, the situation is acknowledged as being easier, with more switching alternatives as a result of more aggressive marketing from competitors.

The fourth setting represents the Swedish social-insurance institution

The sub-case from a non-competing industry is presented below. The situation is naturally different because there is no "real switching" option.

The Swedish social-insurance institution has no direct business-related competitors. Changes in customer behavior in this type of sector would appear not to be observable because of lacking competition. The reality, however, seems to be that customers perceive a modicum of difference between internal suppliers of the service (Myhren and Gustafsson, 2001). Those who experienced reactional triggers in their relationships with the social-insurance system changed their behavior. This change is not directly comparable with switching behavior in industries in which the competitive situation is different. As Table 1 illustrates, there is no trigger distribution because situational and influential triggers have no automatic function in relationships in which neither the personal situation nor non-existent competitors can offend the sensitivities of any particular customer.

Because of the relatively low occurrence of reactional triggers (21), it was not considered necessary to rank the switching determinants in terms of frequency. The analysis was more an attempt to connect the triggered sensitivities of the customers to behavior. Again, movement along the switching path could be described in terms of switching determinants, which in this case focused on customer frustration.

Application of SPAT: Third case – a longitudinal study on switching in the telecom industry

Method development: verification of the extension of the influential trigger to comprise an active and a passive part

Switching-process mapping was conducted and verified over six years in a telecom company (Roos and Gustafsson, 2007). The longitudinal approach made it possible not only to look at detached switching processes but also to comprehend the links between what customers planned to do and what they actually did. It was also possible to establish not only what the outcome of a certain switching process was, but also its stability, which was the point Sheppard et al. (1988) made about Fishbein and Ajzen's (1975) model and its focus on the stability of the outcome state.

A total of 140 interviews were conducted in a telecom company in Sweden. The customers were interviewed regularly over a long period of time, and thus the data included their subsequent switching behavior. Those interviewed for this study were randomly chosen from among the 3,000 customers included in a larger project. The starting sample comprised 545 interviewees, of which 70 were interviewed in the first round. The second round involved 40 of the customers who were interviewed before, and then 30 new interviews were carried out for the third round. All in all, 140 interviews were conducted. The customers were asked to tell their switching stories going back five years. The stories were not confined to switches from the market leader to a competitor, and thus included movement between all telecom operators on the Swedish market.

Active and passive customers' switching processes

The only pattern that emerged during the analysis was that *the influential trigger was divisible into a passive and an active part*.

The redefined influential trigger took two forms. The 10 active triggers fitted the traditional definition according to which customers shop around among telecom operators without consciously comparing and considering price-related issues. They follow the advertising and the offers in the entire market, and readily switch between operators. The 47 passive customers were of another kind: they did not fit into the situational or the reactional trigger category. Specific elements of the influential trigger as previously defined were clearly visible, the difference being in the initiative and during the initial stage of the switching path. Whereas active customers experiencing an influential trigger seemed to be constantly willing to try new alternatives and to search for the best offer, passive customers showed latent prejudice against their current telecom operator and were ready to switch because of this, but only if the competitors contacted them. Thus the first step toward being able to define prejudice was the finding that triggers could be clearly ascribed to both active and passive customers.

The new analysis revealed that, unlike the other two triggers, the influential trigger is predominantly passive. Awareness of the need for a change appeared to arise from the competitors' change in behavior over the years: differing from the findings of previous switching studies (Roos et al., 2004), the data gathered in this study revealed that telecom operators' levels of activity had changed completely. According to the original definition, influential-trigger customers reflect the market in their actions: they react to competitors' efforts in the media, their focus being on the financial advantages. What this study on customers of Swedish telecom operators reveals is that there does not necessarily have to be any kind of customer-initiated awareness or sensitivity to change prior to switching. The competitors take the initiative, and latent prejudice makes the customers switch.

The findings thus led to a partial redefinition of triggers. Their role was confirmed: they make customers sensitive to switching. So far we have not succeeded in identifying more than the three triggers from the literature: situational, reactional, and influential. The present findings suggest that, despite the cross-company nature of the telecom industry, there is no reason to change the definitions of the first two.

The fact that there was a difference between active and passive triggers was a significant finding, with clear implications in terms of the redefinition of the influential trigger. It also serves to confirm the existing definitions of the other two trigger types. In addition, there are implications for future research: whereas situational and reactional triggers appear only to be active, the influential trigger incorporates both passive and active elements.

In conclusion, Table 3 below summarizes the different application areas and experiences of SPAT.

Table 3. Documented use of SPAT in the literature

SPAT use	Driving factors of the relationships	Communicative factors of the relationships	References
Segmentation according to actual behavior	Triggers Situational Influential Reactional	Switching determinants +Swayers -Swayers	Roos, Inger (1999), "Switching Processes in Customer Relationships," <i>Journal of Service Research</i> , Vol. 2, No. 1, August 1999, pp. 376-393. Roos, Inger, Anders Gustafsson, Bo Edvardsson and Anna Nelsson Etzell (2011), "SPAT (Switching Path Analysis Technique) - a Method to Understand Switching Paths and Future Behavior," <i>The 12th International Research Symposium on Service Excellence in Management (Quis 12)</i> , June 2-5, 2011, Ithaca, New York, USA.
Basis for further studies	Triggers discriminating the data to demonstrate the dissimilarities amongst customer groups (triggers)	Switching determinants adding behavioral aspects and new dimensions to the questionnaire	Roos, Inger, Anders Gustafsson and Bo Edvardsson (2006), "Defining Service Quality for Customer-Driven Business Development - a Housing-Mortgage Company Case," <i>A Special Issue of The International Journal of Service Industry Management</i> , Vol. 17, No. 2, pp. 207-223.
The role of Customer Clubs in customer relationships	Do customers believe that the customer club is included in the trigger function; does it drive the relationships or not?	Customers believe the customer club is included in the communicative function; it does not drive the relationships.	Gustafsson Anders, Inger Roos and Bo Edvardsson (2004), "Customer Club in a Relationship Perspective-a Telecom Case," <i>International Journal Managing Service Quality</i> , Vol. 14, No 2/3, pp. 157-168. Roos, Inger, Anders Gustafsson and Bo Edvardsson (2005), "The Role of Customer Clubs in Recent Telecom Relationships," <i>International Journal of Service Industry Management</i> 16 (5), 436-454.
The role of support services in customer relationships	Do customers believe that the support function of the companies is included in the trigger function; does it drive the relationships or not?	Customers believe the support function of the companies is included in the communicative function of the relationships.	Roos Inger and Bo Edvardsson (2008), "Customer-support Service in the Relationship Perspective," <i>Managing Service Quality (MSQ)</i> , Vol. 18, No. 1, pp. 87-107.

SPAT use	Driving factors of the relationships	Communicative factors of the relationships	References
The role of complaining behavior in customer relationships	What is the interplay between different triggers, driving the relationships and the communicative function; important knowledge for companies	What is the interplay between different triggers, driving the relationships and the communicative function; important knowledge for companies	Edvardsson Bo and Inger Roos (2003), "Customer Complaints and Switching Behavior- A Study of Relationship Dynamics in a Telecommunication Company," <i>Journal of Relationship Marketing</i> , 2, (1/2), 43-68.
Emotional experiences related to actual behavior	It is essential to understand the role of emotions in customer relationships. Which emotions cause switching? The link between triggers and emotions provides an insight into the stability of the relationships.	It is essential to know about emotions in customer relationships. Which emotions cause switching? According to the literature, weak emotions may be the most common cause.	Roos, Inger, Margareta Friman and Bo Edvardsson (2008), "Emotional Experiences in Customer Relationships – a Telecommunication Study," <i>The International Journal of Service Industry Management</i>, Vol. 19, No. 3, pp. 281-301. Roos, Inger, Margareta Friman and Bo Edvardsson (2009), "Emotions and Stability in Telecom-customer Relationships", Special Issue based on Award winner Servsig 2008, Liverpool, <i>The International Journal of Service Industry Management</i>, 20 (2),192-208.
Defining service quality in customer relationships	Triggers discriminating the data to demonstrate the dissimilarities amongst customer groups (triggers)	Switching determinants add behavioral aspects and new dimensions to the questionnaire	Roos, Inger, Anders Gustafsson and Bo Edvardsson (2006), "Defining Service Quality for Customer-Driven Business Development - a Housing-Mortgage Company Case," <i>A Special Issue of The International Journal of Service Industry Management</i> , Vol. 17, No. 2, pp. 207-223.

SPAT use	Driving factors of the relationships	Communicative factors of the relationships	References
Understanding the effect of frequent switching in customer relationships Loyalty	Frequent switching in combination with trigger logic revealed differences between active and passive customers. Active customers are more stable than passive customers in their relationships. Hence, the loyalty effect is determined.	The communicative factors were given a totally new role as active and passive customers were defined. Active and passive customers perceive messages differently. An understanding of the differences enhances perception through the attuned design of the two groups. How communication is perceived affects loyalty building.	Gustafsson, Anders and Michael D. Johnson and Inger Roos (2005), "Managing Customer Satisfaction, Image, and Strength of Relationship across Switching Paths," <i>Journal of Marketing</i>, 69 (4 CRM Special Section), 21-218. Roos, Inger and Anders Gustafsson (2007), "Understanding Frequent Switching Patterns - a Crucial Element in Managing Customer Relationships," <i>Journal of Service Research</i>, Vol. 10, No. 1, pp. 93-108. Roos, Inger and Anders Gustafsson (2011), "The Influence of Active and Passive Customer Behaviour on Switching in Customer Relationships", <i>Managing Service Quality (MSQ)</i>, Vol. 21 No.5, pp. 448-464, Outstanding Paper Award Winner at the Literati Network Awards for Excellence 2012.
Applying SPAT to the B2B context	Sensitivity in B2B relationships leading to switching, in comparison with customer relationships, builds up on a broad front over a longer time because of sporadic and irregular interactions.	Definitions of switching determinants are helpful in focusing communication between companies.	Roos Inger, Anders Gustafsson, Bo Edvardsson and Peter Landmark (2010). "Should we Differentiate between Business and Private Customers?" <i>Management Research and Practice</i>, Vol. 2 Issue 2, pp. 1-13. Selos Erno, Teemu Laine, Inger Roos, Petri Suomala and Lauri Pitkänen, (2013), "Applying SPAT for understanding B-to-B supplier switching processes", <i>Managing Service Quality (MSQ)</i>, Vol.23, Issue 4, pp. 321-340.

OF MUTUAL BENEFIT: RELATIONSHIP MARKETING THROUGH THE PRISM OF METAPHOR

David Starr-Glass

*This chapter reconsiders the use and utility of the **relationship** metaphor in relationship marketing. After briefly reviewing the nature of conceptual metaphors, their cognitive impact, and eventual decline in stimulating novelty, it explores the use of metaphor in economics and marketing. It identifies the **relationship** metaphor as the root metaphor in paradigmatic shifts from transactional to relational marketing. Considering that a similar relational approach was adopted in theories of the firm's internationalization, the chapter suggests that the **relationship** metaphor may be a significant reflection of underlying Nordic cultural values that emphasize collaboration and mutual cooperation. The impact and success of the metaphor is reviewed, as are some of the limitations, conflicts, and "dark-sides" associated with it. The generative impact of the metaphor has declined through its repeated usage and, with this in mind, suggestions are made as to how the metaphor might be re-approached and re-interpreted in contemporary marketing contexts.*

Metaphor is understood as a linguistic trope, in which it is asserted that A is B, even although it is clear that both A and B are not the same. Saying that *love is a journey* co-joins two obviously different concepts, but by purposefully bringing them together we provoke a reappraisal of what each might mean. The metaphor claims that there are elements of *journeys* that can be transferred to *love* and that this transference provides a new way of understanding the nature of *love*. It suggests a cluster of elements – departures, destinations, disruptions, dislocations, impediments, perseverance, uncertainties, explorations of new territory, and changed landscapes – are actually present in *love*, but that they were unconsidered until the metaphor was presented. Metaphors stimulate a reconsideration of what was previously unappreciated and, in that sense, they are essentially disruptive, potentially transformative, and serve to "heighten awareness of existing ways of thinking and acting, and prompt individuals to think and act differently by changing their perspectives.... point[ing] to a complexity for which the individual or group may not yet have found language" (Weaver, 2010:1).

However, with the passage of time metaphors lose their provocative impact. They no longer heighten awareness, change perspectives, point to existing complexities, or reveal undiscovered possibilities. To say that *love is a journey* may still have an enduring vitality, but much of that novelty and impact has been lost because the metaphor is widely used and commonly accepted. So, today, what is the impact of claiming that *marketing is a relationship*? Does it really heighten our awareness of the nature of marketing? Does it still have the power to change perspectives and suggest new complexities in the marketing process? More fundamentally, is *relationship marketing* even recognized as a metaphor?

This chapter suggest that the metaphoric potency of relationship marketing has faded; indeed, that the term is presently understood as a label for a specific set of activities, concerns, and possibilities. The first section of this chapter considers the nature of conceptual metaphors, their trajectory over time, and their eventual decline in disruptive and provocative potential. The next section examines the centrality of metaphor in disciplinary thinking, recognizing that economic *markets* and *marketing* itself are derived from metaphor. The third section examines the origins of the *relationship* metaphor in marketing and links it to a parallel shift in the marketing paradigm, which may have been initiated by, or expressed in, this root metaphor. The *relationship* metaphor is central to the Nordic School of service marketing, but it also appears in other Nordic schools of thought and it is suggested that a relational emphasis may have its roots in the national cultures and collaborative histories of the Nordic countries. This is followed by a section that explores the potentials and outcomes of the *relationship* metaphor in marketing, while the chapter ends with a discussion of the challenges and possibilities confronted in its re-evaluating.

THE LIFE TRAJECTORY OF METAPHORS

Metaphor is not simply a rhetorical ornament. It is better understood from a cognitive perspective: a linguistic strategy that has the potential of reordering the ways in which we think. Metaphor forces a “rearrangement of the furniture in our minds”, encouraging us “to know our way about the unfamiliar arrangement in order to determine the points of coincidence with our own scheme” (Kittay, 1995:110).

Cognitively, metaphor can be defined as “the mapping of one conceptual domain onto a dissimilar conceptual domain... resulting in a transfer of meaning from one to the other” (Modell, 1997:106). By saying that *love is a journey* we begin to align the elements of the source domain (*journey*) with those of a seemingly unrelated target domain (*love*). In encountering metaphor, we begin to realize that elements in the source and target correspond in unexpected and unanticipated ways. Although there are a many different figures of speech that result in new and unexpected meaning – simile, metonymy, synecdoche, and allegory – metaphor is the most jarring. While simile suggests that *A is like B*, metaphor insistent that *A actually is B*. It is because of that insistence the metaphoric assertion that we are forced to pause and to reconsider the correspondences between A and B (Lakoff, 1993).

Metaphors are prevalent in our lives: “not just in language but in thought... [in] the way we think, what we experience and what we do every day is very much a matter of metaphor” (Lakoff and Johnson, 1980:3). Metaphor is central to making new connections and creating new meanings about the familiar; indeed, it has been described as the “currency of the mind” (Modell, 2009:6). The power and prevalence of metaphor are generally underappreciated, so it is worthwhile stressing that metaphor is “a way of thinking and a way of seeing that pervades how we understand our world” (Morgan, 2006:4) and that it “potentially involves the most creative aspects of human imagination and cognition” (Camp, 2006:166). This power of metaphor for understanding our worlds and providing alternative explanations has been used extensively by theoreticians, scholars, and researchers in a wide range of academic

disciplines particularly in organizational behavior, marketing, and consumer behavior (Cornelissen, 2006; Cornelissen and Kafouros, 2008; Cornelissen et al., 2008).

When metaphor is first presented, it co-joins two concepts that most people would consider quite different. To say, for example, that *dictionaries are goldmines* originally had a powerful metaphoric force, because it required us to consider how it could be that *goldmines* – dark subterranean labyrinths from which it is possible to extract small flecks of a precious material, always unexpectedly and always with considerable amounts of labor – could be compared with *dictionaries*. In this forced comparison a number of things come into play:

- *Dictionaries* and *goldmines* are recognized as concrete objects, but both are amenable to a degree of abstraction in which the elements that make up these constructs can be re-organized and re-evaluated;
- There is directionality in the process of mapping the elements from one domain onto the other: it proceeds from the source domain (*goldmines*) to the target domain (*dictionaries*). This flow and its direction are important; generally, reversing the flow destroys any metaphoric possibility. In this case, to claim that *goldmines are dictionaries* makes little sense and sheds little new light on *goldmines*.
- There have to be sufficient correspondences in both source and target domain to provide a conceptual anchor that holds them together, albeit temporarily. If there are insufficient points of correspondence, then the two concepts drift apart without the creation of any new metaphoric meaning. If there are sufficient to provide an anchor, then we can proceed to further map the elements of the source onto the target. For example, to say that *dictionaries are coalmines* fails to produce any conceptual anchor, because of the lack of any obvious or apparent comparability (isomorphism) between the domains.
- Once the mapping has proved to be useful in coming to a different understanding of the target the metaphor becomes accepted and enters our language. It is still recognized as a metaphor and it continues to provide new insight and generative potential in challenging our understanding.
- Through usage, the striking nature and generative value of the original metaphor start to fade. What was once clearly a metaphor is now appreciated as an accepted expression of language; through usage, metaphor has become familiar, common, and often trite. It is no longer recognized as a metaphor and has none of the original provocation of metaphor. At this stage in its career the metaphor has died. Today, when we say that *dictionaries are goldmines*, we seem to be stating accepted realities.

This is the life trajectory, or the career, of most metaphors. Even metaphors that start out with a striking impact fade with persistent use and familiarity. In part, this is because the metaphor becomes commonplace and anticipated; in part, because language itself changes. In time *goldmines* gain other meanings – the word is applied to any source of stored value, not just to places of mineral excavation. When a word acquires multiple meanings (polysemy), then co-joining some of those meanings with another may indicate a simple classification rather than

a striking metaphor. Today, to say that *dictionaries are books* is simply to place dictionaries within a wider classification of things called books; it is not a metaphor. With repeated usage and polysemic shifts, we have now come to understand that *dictionaries are goldmine* is also a classification. We understand that dictionaries belong to a special class books that are useful and valuable: the metaphoric potential has been spent.

This is not only a linguistic issue; it is also reflected in our cognitive processing. Research indicates that we make sense of the new metaphor through a process of active cross-domain mapping and ongoing comparison, both requiring considerable, dynamic, and purposeful cognitive processing. As metaphor gains popularity and becomes widely used we no longer recognize any dissonant juxtaposition and understand it in terms of categorization, which is a more routine, low intensity cognitive process (Bowdle and Gentner, 2005; Gentner and Bowdle, 2001). Interestingly, it has also been observed that as words which once used metaphorically assume new and distinct meanings “the secondary, figurative senses are typically more abstract than the original word senses” (Bowdle and Gentner, 2005:198). Originally *goldmine* had a distinct and concrete meaning, while in contemporary usage *goldmine* has assumed another much more abstract meaning: a source of exceptional richness, infrequently found, but easily accessible once discovered. The new abstracted meaning of *goldmine* has been disconnected from the physical realities of excavation, labor, darkness, and chance discovery.

EXTINGUISHED METAPHOR AND REIFIED ABSTRACTION

Although metaphor maybe the currency of the mind and a pervasive way of seeing things, it has often received minimal attention in disciplinary discourse and research. For example, it has been largely ignored in economics. Some scholars of economic thought have suggested that this is because metaphor was never perceived as a fundamental way of thinking, but rather as a superfluous rhetorical flourish: an “ornament that deceives, a kind of camouflage cast over speech” (Klamer and McCloskey, 1992:157). Of course economists use metaphor in furthering and communicating their discipline, but in doing so they “are unconscious about their metaphors. They suppose that because they can speak an economic metaphor, it simply is. Economists are poets/ But do not know it” (McCloskey, 1995:219). To illustrate, McCloskey (1995) considers the literature on childcare in which economists speak the metaphor of *market* but suppose that it means a supply and demand curve and the dynamics of arriving at an equilibrium price. Non-economists, however, do not gravitate to these secondary, concretized abstractions. When they think about childcare they believe that it “looks like a piece of social control or a set of buildings or a problem for new parents” (McCloskey, 1995:215). Metaphor might be employed, but it is employed unconsciously: *markets* have assumed a secondary, figurative meaning. The *market* metaphor has descended to the commonplace and is neither appreciated as metaphor nor capable of generating richer ways of thinking.

Early incursions into the discipline of marketing were shaped by the extinguishing and reification of the economic *market* metaphor. Significantly, early marketers adopted the

market metaphor to name their discipline and to center its epistemological consideration. In their discipline they replicated an economic logic of empirical rationalism, but in doing so marginalized the actual experiences and sentiments of the consumer (Reidenbach and Robin, 1991; Thompson, Locander and Pollio, 1989). *Market* as a problematic root metaphor was little considered, or used, to energize the new discipline of marketing; indeed, reviews of its use have established that metaphor was not used to explore marketing relationships or consumer behavior, but rather to focus its more instrumental value in advertising, branding, and communication (Bremer and Lee, 1997; Brown, 2008; Davies and Chun, 2003).

The decline of metaphor, and its substitution by a secondary concretized abstraction, is common; however, there are profound implications especially for disciplinary thought and discourse. The *market* metaphor – with its invitation to consider the rich complexity of human interaction and social exchange – died, being replaced by *market* as an abstracted secondary concept. In the abstract, *markets* were more amenable to theoretical consideration, but the resulting concretized concept was distanced from real people and their real experiences. It focused on impersonal transactions, rather than socially dynamic exchanges. This focus can be seen in the American Marketing Association's (AMA) 1985 definition of marketing: "planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives".

There is certainly a nod to real people ("satisfying individuals" – interestingly, individuals and not customers or consumers), but those individuals are strangely peripheral to the organizational prerogatives of determining product, price, placement, and promotion (Grönroos, 1989, 1994a; McCarthy, 1960). The metaphoric invitation to consider a place of human behavior and social exchange had been replaced by a set of four abstractions (the 4Ps), which became "the holy quadruple... of the marketing faith...written in tablets of stone" (Kent, 1986:146). For many during the last quarter of the twentieth century, marketing was considered quite literally to be about product, rather than process. It was about the secondary reified abstractions of markets, rather than about a primary metaphor. It was also about anonymous transaction, rather than human engagement and mutual exchange.

EMERGENCE OF THE NORDIC SCHOOL PARADIGM

It was against this background that Christian Grönroos (1990, 1994a, 1994b) proposed a paradigm change in which marketing was considered as a *relational* process. The transactional model rested on isolated individuals and independent exchange transactions; however, relationship marketing considered involved actors engaged in a continuous process that did not end with the point of sale. The relational process recognized the different expectations of those involved, sought mutual satisfaction through the continuing fulfillment of these expectations, and developed a sense of ongoing connection between market participants. Relationship marketing reframed the dynamics of the marketing process by seeking to "establish, maintain, and enhance...relationships with customers and other

partners, at a profit, so that the objectives of the parties involved are met... achieved by a mutual exchange and fulfilment of promises” (Grönroos, 1990:5).

The paradigm of the Nordic School evolved from the service marketing field and emphasized the active development of relational connections (Grönroos and Gummesson, 1985; Gummesson, 1987). It marked a decisive paradigm shift, but to understand its influence it is first necessary to consider what such a shift entails. A disciplinary paradigm is the constellation of theory, observations, models, and premises that practitioners utilize to explain and further the discipline. Paradigms provide adherents with convincing epistemological and ontological maps that stabilize their thinking and shape their actions. The physical sciences (such as physics) have a legacy of empirical-positivist orientations, in which theories can be judged right or wrong. In these disciplines, new paradigms have emerged when “their achievement was sufficiently unprecedented to attract an enduring group of adherents away from a competing model of scientific activity... sufficiently open-ended to leave all sorts of problems for the redefining group of practitioners to resolve” (Kuhn, 1996:10). Old paradigms collapse under the weight of new evidence that cannot be explained by existing theory, but their collapse is gradual. There is an inertia in moving to new frameworks of making sense because of the disciplinary conservatism of practitioners; however, since logical positivism prevails, paradigmatic shifts eventually occur when the evidence presented can no longer be refuted.

In the social sciences logical-positivist perspectives are weaker. In these disciplines it is understood that there may be different, equally valid ways of making sense of the complexity of human behavior. Multiple paradigms can co-exist, each supported by its own group of adherents and each providing satisfactory solutions (Schultz and Hatch, 1996; Taneja, Taneja and Gupta, 2011; Qiu, Donaldson and Luo, 2012). In marketing, the relational paradigm did not displace the transactional one. Generally, transactional and economic exchange paradigms have remained influential in North America; whereas, relational approaches have prevailed in Europe. This paradigmatic pluralism in marketing reflects different sets of assumptions, with Europeans tending to focus on “rich, context-specific descriptions based on research designed and analysed from the relativistic perspective” while the North American tradition is “more positivistic, and based more on... logical empiricist traditions” (Brodie et al., 1997:390). Given these different cultural perspectives, relationship marketing can be seen as an alternative within a plurality of marketing paradigms; however, it seems that the power and utility provided by the relationship marketing perspective is being more widely appreciated (Achrol and Kotler, 2012; Jackson and Wood, 2013).

INTERNATIONALIZATION AND THE UPPSALA CONNECTION

Disciplinary paradigms and metaphors are social constructs and reflect cultural assumptions and preferences (Quinn, 1991; Wang, Runtsova and Chen, 2013). It is interesting to note that there is a Nordic School of marketing, but there is also a Scandinavian School of international business: the Uppsala Model.

The Uppsala Model emerged from a study of the internationalization strategies of Swedish firms and suggested that business enterprises achieved international status through an incremental and progressive establishment chain: initial export, leading to licensing agreements, leading to sales and distribution centers, followed by partnerships and alliances, and eventually to the creation of subsidiaries in the foreign country (Johanson and Vahlne, 1977, 1990; Johanson and Wiedersheim-Paul, 1975). The Uppsala Model recognized two factors. The first was that “markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns” (Johanson and Vahlne, 2009:1411). This inferred that insidership was advantageous in internationalization efforts, outsidership was inherently problematic. Second factor appreciated was that personal relationship and engagement with those in different countries offered the outsider opportunities “for learning and for building trust and commitment, both of which are preconditions for internationalization” (Johanson and Vahlne, 2009:1412).

The Uppsala Model identified a psychic (psychological) distance between insiders and outsiders, defining it as the cluster of “factors preventing or disturbing the flows of information between firm and market” (Johanson and Wiedersheim-Paul, 1975:308). Psychic distance involved language, communication patterns, customary behavior, and differences in national cultures. The presence of distance suggested that internationalization should begin with countries in which psychic distance could be most easily overcome or accommodated: Swedish companies would find it easier to move into countries such as into Denmark, rather than into Japan. Although having considerable intuitive appeal, psychic distance proved difficult to operationalize and measure (Andersen, 1993; Arenius, 2005; Dow, 2000).

Research also began to indicate that although psychic distance may have been a relevant factor in pattern of incremental internationalization that firm’s practiced in the 1970s, it was no longer considered a significant factor several decades later (Nordstrom, 1990). The changing pattern of internationalization suggested a need to revisit the Uppsala Model and, having done so, even its original proposers concluded that “there is a need for new and network-based models of internationalization... it might be worthwhile to reconcile and even integrate the two approaches” (Johanson and Vahlne, 2003:84). The shift towards network-based models of internationalization has accelerated because of a greater realization of the function of entrepreneurship, which transcends national borders and places less value on insidership advantage (Johanson and Vahlne, 2003; Oviatt and McDougall, 1994, 2005; Schweizer, Vahlne and Johanson, 2010).

Both the Nordic School of marketing and the Uppsala Model of internationalization support paradigms in which relationship, connectedness, and awareness of psychic distance are considered relevant. It may simply be a coincidence that these two approaches originated in the same part of the world, at about the same time. It may also be that they cross-fertilized one another through shared academic and institutional connections. Cross-fertilization may explain similarities, but it is argued that the origin of both paradigms was shaped by national perspectives, cultural dispositions, and a specific set of Nordic outlooks.

The Nordic countries form a geopolitical block that has an interconnected history, linguistic similarities (with the exception of Finland), and a common experience of consensus-building and resolving differences in peaceful ways (Lindell and Arvonen, 1996a, 1996b). It is suggested that this Nordic sense of national closeness and interdependency had two related results: a heightened awareness of intra-national cooperation and inter-national difference. In turn, this regional outlook might be expressed in terms of a commitment to relational closeness and an acceptance of psychic distance.

This is not to overstate a distinctive Nordic approach. The content of the Nordic management and marketing literature and research does not identify a single dominant theme (Pettersen et al., 2002). Nevertheless, Nordic Schools of thought may have been more sensitive to relational issues – to notions of closeness and to notions of distance – because of geographical positioning, historical experience, and cultural assumptions. These dispositions may have been less salient for North America marketers, living in a society that has a more individualistic national culture, extensive domestic markets, more insular social and political perspectives, and an economic outlook that has often been marked by protectionism.

Although regional and national values are distinctive, they do change over time. In a changing world, with progressive internationalization and globalization, the strength of specific Nordic perspectives on firm internationalization might be expected to weaken. And indeed the Uppsala Model has gradually been displaced by a more universal appreciation that firms may be “born global” and that regional anchors of familiarity and psychic closeness are less relevant (Fernhaber, McDougall and Oviatt, 2007; Knight and Cavusgil, 1996, 2004; Moen, 2002).

EXPERIENCE WITH RELATIONSHIP METAPHORS

The potency of metaphor declines with usage and over time. In marketing and advertising, scholars and practitioners have frequently urged that metaphors should be “reanimated”, because “specific metaphors are also laden with symbols and imagery that might be used creatively in implementing decisions that will animate or bring appropriate reasoning processes and mental models to life” (Zaltman and Coulter, 1995:38). Markets, in their original social sense, were populated by people rather than by abstractions or the reifications of abstract constructs. In marketing research and advertising practice, however, real people – their experiences, thoughts, and narratives – have often been either ignored or squeezed out. The original *market* metaphor had lost its potency and, recognizing this, there were calls for its invigoration and reconsideration, because metaphor is “important in creating and conveying thought, especially hidden thought: and the existing mental models guide the selection and interpretation of salient images and thus the stories told” (Zaltman, 1997:434).

So, what about reconsidering the proposition *marketing is a relationship*? A relationship brings to mind a cluster of elements: personal bonds, mutual self-disclosure, trust and confidence, growing informality and intimacy. Relationships provide vehicles for interpersonal connection, self-understanding, and social self-identification (Price and

Arnould, 1999; Yim, Tse and Chan, 2008). Recognition of a *relationship* metaphor can promote a re-evaluation of how those involved understand themselves and others. It can also open up new explorations of what it means to be related in terms of behavior, identity, and self-understanding (Ahuvia, 2005; Bahl and Milne, 2010).

Although the recognition of *personal* relationships encourages the development of self-identity and mutual trust, those involved in *commercial* relationships recognize that there is a tension between these personal attributes and the instrumental goals of the connection. They appreciate that there are limits to the deeper expression of the *relationship* metaphor and that in time “the experiential seams between relational and connection metaphors get frayed within buyers’ daily interactions and are modified within their ongoing efforts to make sense of their interactions and reconcile divergent interpretations” (Blocker, Houston and Flint, 2012:906).

Using *relationship* as a metaphoric source draws on our own understanding and experiences of personal connections. Relationships are complex and individually construed, but they are always understood to “take a number of paths: progress inexorably toward decay; reach a tolerable, yet intrinsically unsatisfactory level; or plateau satisfactorily after varying somewhat....the end of a relationship may arrive more quickly and with greater discord than anticipated or necessary” (Stoltman and Morgan, 2002:50). Although these dimensions resonate with the experience of marketing, there is nevertheless a tension in meaning and scope of the *relationship* metaphor.

Relationships are interpersonal and serve to define and to bind those involved, yet attempts to create and develop marketing relationships takes place in environments generally characterized by “large numbers of anonymous consumers, limited opportunity for interpersonal interaction, and, the prevalence of low value/low involvement purchases” (O'Malley and Tynan, 1999:588). Relationships center on people and the dynamics of reciprocity, not on objects and the products of transaction. As Blau (1989:94) succinctly observed, “only social exchange tends to engender feelings of personal obligation, gratitude, and trust; purely economic exchange as such does not”.

Anonymity, limited interpersonal interactions, and the perception of limited exchange benefits all strain the power of the *relationship* metaphor. The relational distance between participants in marketing contexts, as opposed to personal and social ones, diminishes the power and utility of the metaphor. O'Malley and Tynan (1999:67) perceptively noted that a relationship creates a unity for those engaged in it, but that unity also preserves “two points of view, two sets of biased perceptual processes, two sets of needs and abilities, all overlaid on the dynamics of attachment, denial, habituation, and attenuated by external conditions.... this complexity foreshadows the difficulty of maintaining and nurturing a relationship”. The difficulty of responding to multiple consumer and producer perspectives is all the more pressing when relational participants fail to recognize, acknowledge, or accept the differences of the other.

Sääksjärvi et al. (2007) have pointed out differences in relational intensity and commitment in product-level and firm-level relationships. The product-level relationship is “a relationship with a particular product, which is driven by product attractiveness and involvement.... [developing] from a passive into an active one, in which customers are more emotionally connected to the product” (Sääksjärvi et al., 2007:58). An emotional connection might develop, but what might the emotional intensity be for a particular brand of toothpaste? The firm-level relationship however, can be more intense and enduring and “can be considered the ultimate relationship... [leading] to customer commitment.... the relationship is likely to be more cognitively than emotionally driven, and based on the functionality and the quality that the product offers” (Sääksjärvi et al., 2007:58). But again, to what extent can we talk about ultimate relationships when considering a student’s commitment to her college, or a driver’s enthusiasm about the company that made his car?

Relationships are varied in nature, intensity, and duration. They form a spectrum of possibilities, but spectrum of possibilities needs to be understood as do the levels of commitment that different relationship levels suggest. For instance, marriage is one kind of relationship but it is a commitment that is not always possible, desirable, or suitable. Marriage indicates a close relationship that is limited and exclusive. If so, there is a question as to whether a generic *marketing is marriage* metaphor can ever work effectively or convincingly (Tynan, 2008).

The *marriage* metaphor at the product-level overstates the relational intensity and suggests levels of trust, confidence, and commitment that may be interpreted as inappropriate by the consumer. Although firm-level relationships may be considered “the ultimate”, these too are prone to the metaphoric tensions, negativities, and dark-sides of *marriage*, when promises are broken and expectations fail to materialize (Dant and Gleiberman, 2011). Alternatively, it might be more appropriate to consider a metaphor suggesting that *marketing is a deep friendship*. Here the source domain is one in which the relationship is a more open and voluntarily sustained connection between individuals. Deep friendships and reciprocate interdependence in coping with future social and emotional changes, may be more valuable than marriage: as in life, so too in marketing relationships (Fehr, 1996; Jancic and Zabkar, 2002; Tynan, 1997).

Considering the value of relationship marketing in the “new economy”, Gummeson (2002:54) emphasized that this approach is geared towards collaboration and the co-production of value in which “the individual is in focus instead of masses; long term relationships are found to be more profitable than one shot transactions; all parties are winners and not just one party; and interaction is preferred to one-way persuasion”. As social and economic landscapes become more troubled and stressful – with a growing schism and antagonism between winners and losers – a more inclusive and equitable marketing agenda, in which mutual benefit is made explicit, may resonate strongly with consumers (Edvardsson and Strandvik, 2009; Perret and Holmlund, 2013). Relationship creation may provide mutual benefits to those engaged in marketing, but it should always be recognized that there is a darker side: if firms talk about pseudo-personal relationships that are subsequently discovered

to be no more than vacuous rhetoric, consumers will undoubtedly feel betrayed and react accordingly (Lannon, 1995).

RECONSIDERING AND REVITALIZING RELATIONSHIP METAPHORS

This chapter has examined the nature of metaphor and the extent to which the juxtaposition of seemingly unrelated concepts can provide new meaning. In its early days, a *relationship* metaphor in marketing was undoubtedly striking and provocative; however, the question is whether the *relationship* metaphor is now construed as simply a term of art – part of the lexicon of marketing – and not as a metaphor at all. It does seem that this shift has occurred, which is not unexpected since “the living metaphor starts dying once it begins to live within language” (Billig and MacMillan, 2005:461). The metaphor might be dying, but it is not dead and not beyond resuscitation (O’Malley, Patterson and Kelly-Holmes, 2008; Patterson and O’Malley, 2006).

Placing the *relationship* metaphor at the center of marketing conceptualization, research, and practice encourages reconsideration the nature of marketing and its outcomes. Rather than understand the dynamics as impersonal economic exchanges, a relationship approach recognizes the centrality of customers, appreciates the social connections that are made, and emphasizes the perceived benefits and advantages that an ongoing marketing process provides. The *relationship* metaphor serves to accentuate the development of trust and confidence, as well as the disruptions and problems that occur in personal relationships.

By doing so, the metaphor suggest ways in which these difficulties might be avoided, mitigated, or repaired. The full impact of this potential may have been underdeveloped through neglect, rather than eclipsed by familiarity. There is always a need “for marketing academics to acknowledge and problematize the lexis of their professional discourse community and the lexical and ideological constraints within which their writing takes place” (O’Malley et al., 2008:182). A consideration of the lexical constraints includes a re-examination of the *relationship* metaphor and the ways in which it can stimulate marketing approaches at both a theoretical and operational level (Fillis and Rentschler, 2008).

When considering the utility of any disciplinary metaphor it is important to appreciate that “no single metaphor can capture the whole of a selected aspect of reality in its full complexity” (Amdt, 1985:17). In the metaphor, the transference from source to target domains is never complete, perfect, or definitive. Metaphors illuminate novel facets, but inevitably they also leave some in the shadows and obscure others. Nevertheless, it is evident that “we can improve our field by being more critical of our existing metaphors and more conscious in picking up new metaphors” (Van den Bulte, 1994:419). So what can be done if the *relationship* metaphor has become trivialized, concretized, and no longer capable of provoking new imagery or possibilities?

First, relationship marketing needs to be reconsidered not as a special type of marketing, but as a way of acting that relies on a provocative metaphor. In charting the decline and death of once-active metaphors, Bowdle and Gentner (2005:213) suggested that the original metaphor

might be replaced by simile in order to elicit a richer set of analogies because “the simile form lays bare the original alignment from which the familiar expression was born”. To consider that “marketing is *like* a relationship” may provide these opportunities by explicitly revealing the different clusters of attributes that are being co-joined. Simile is less cognitively challenging because it suggests the possibility of similarities rather than demanding the acceptance of correspondences.

Second, perhaps we have to re-examine the meaning of *relationship* more closely in contemporary society. Relationship marketing has favored marriage and deep friendship relationships, but these are formal and static in nature; it is hard to see how the mutuality and reciprocity that characterizes them is present in marketing contexts. Relational closeness varies in intensity, commitment, and personal involvement and range from those that can be described as “arm’s length” to “close” (Uzzi, 1996, 1997). In considering the creation and utilization of social capital, and associated economic exchange, it is now understood that valuable exchange can be obtained in networks where the relational ties between actors are weak, rather than strong. Strong ties have particular value, but “weak ties provide people with access to information and resources beyond those available in their own social circle” (Granovetter, 1983:209). It may well be productive to reconsider the social capital literature for new perspectives on *relationships* and consider their relevance to relationship marketing (Kikuchi and Coleman, 2012; Moran, 2005).

Third, in considering metaphor as a method within marketing Cornelissen (2003:222-223) pointed out that the power of metaphors come “from their capacity of serving a valid heuristic purpose: their truth or falsity is, depending upon the context, the central criterion for judging whether or not they are apt and fitting to the object under consideration”. The *relationship* metaphor has been exceptional useful in reassessing the challenges and possibilities of marketing at the levels of both research and practice: its underlying truth and utility has been established. There is now a need to assess and to augment the metaphor’s power in generating creativity, insight, and new possibilities in marketing (Bremer and Lee, 1997; Tynan, 2008). Metaphors “mediate between structure and agency... it is actors who choose to repeat old metaphors and introduce new ones... it is important to continue to monitor the metaphors at work to understand exactly what work it is that they are doing” (Wyatt, 2004:258). That monitoring deserves more attention than it presently receives. Renewed interest in the ways in which the *relationship* metaphor contributes to realignments in market thinking and practice may create the springboard for its revitalization.

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