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Exit *Services* Marketing – Enter *Service* Marketing

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About the Author

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Abstract

Since the 1970s, services marketing has grown into a major subdiscipline of marketing. It is constantly claimed – but is refuted in the article – that services are now the dominant economic activity in developed countries and keeps growing while the two traditional goods sectors, manufacturing and agriculture, are declining. An unsolved problem that has been swept under the carpet is the fact that goods and services always appear together. An international debate on the content of services marketing and marketing in general is in progress, especially fuelled by the service-dominant logic suggested by Vargo and Lusch (2004a). This new logic is a synthesis of knowledge and ideas that have been brewing over many decades. Among its tenets are that customers are not buying goods or services but value propositions to be of service to them, that customers are co-creators, and that value is actualized in the customer usage process rather than in the supplier value chain. The purpose of the article is to help break a deadlock of taken-for-granted "truths" in marketing, stimulate the emergence of more valid and relevant marketing theory and even uncover the inner secrets of marketing, its genome. In fulfilling this purpose the author points to the need to rethink several marketing-related issues, among them the economic sectors; alleged differences between goods and services; where and when marketing occurs; the interdependence between quality, productivity and profits; the roles of supplier and customer; the importance of customer-to-customer interaction (C2C); the high tech/high touch balance; the marketing mix; and relational and interactive approaches to marketing. Finally, the article questions the relevance of the marketing concept and customer centricity, advocating the need to apply "balanced centricity" and a stakeholder and network approach, epitomised by the author's concept many-to-many marketing.

Introduction

Services marketing – and marketing in general – is in turbulent flux. This claim constitutes the vantage point for this article, which embraces a vast array of marketing-related issues. It is a synthesis of research, practical experience as marketer and consumer, and personal ideas. Above all it presents my own (incomplete) perception of what marketing is and should be, and it is more looking to the future and the need to rethink than to support from the past. Literature is only one input, and any attempt to find two or three references to each item that has been treated by someone would impede the flow of the text and could not be complete and give justice to all of those who have contributed. Instead I refer the reader to textbooks and other overviews – and Google. Among comprehensive services textbooks, which also represent somewhat different schools of thought, are Palmer (2004), Zeithaml, Bitner and Gremler (2005), Grönroos (2007a), and Lovelock and Wirtz (2007). The customers' role in the innovation, engineering and production of services is increasingly crucial and dynamic. It is therefore imperative that marketing scholars are aquainted with the basics of service operations management and development; see books by Johnston and Clark (2005) and Edvardsson et al. (2006). The brief history of service management and marketing is described in Berry and Parasuraman (1993), Fisk, Brown and Bitner (1993), Fisk, Grove and John (2000), and with a Nordic School angle Grönroos (2007b); these books also provide plenty of references. Services in the longer perspective of economic thought are treated by Delaunay and Gadrey (1992).

When in the 1970s services immigrated to Marketingland and applied for citizenship, it was in protest against the hegemony of goods marketing. The initial sections of the article elaborate on the distinction between services and goods marketing, bearing in mind that goods (things) and services (activities) always appear together. So far research in marketing and textbooks have not been able to integrate this insight with general marketing theory. The article proposes that the time is ripe for a merger on a higher level of validity and relevance.

Through the concept of the service-dominant logic (Vargo and Lusch 2004a; Lusch and Vargo 2006b), a daring and constructive effort has been made to turn what we know so far into a tentative synthesis. Their logic opened up an international dialogue on the output of marketing as value propositions rather than as goods or services. By further appointing the customer co-creator of value, the roles of supplier and customer become blurred and require redefinition.

As Baker points out (2006, pp. 197-98): ”...the distinction between success and failure in competitive markets may be reduced to two basic issues, first, an understanding of customer needs, and, second, the ability to deliver added value...” This is known as the marketing concept and is at least half a century old. It is increasingly referred to as customer-centricity but despite its age has only been partially implemented. We may now have the knowledge that allows us to turn the tide.

The article further brings in the marketing mix and what it stands for today. It considers the mix and the well-known value chain as primarily supplier-centric. It dethrones the mix to the second level of marketing and elevates networks of relationships in which we interact to the first level. So far, relational approaches – relationship marketing, CRM (customer relationship management), and one-to-one marketing – have been primarily focused on the dyad, the customer-supplier relationship. The article suggests a transition from customer-centricity to a balanced centricity of the interests of multiple parties. This requires a network, many-to-many, approach to marketing. The article ends with a summary and an epilogue.

”There is no such thing as services marketing!”

In the late 1960s, an American PhD student wanted to write his doctoral thesis about services marketing. His professor’s response was instant: ”There is no such thing as services marketing!” There was very little written about services at that time; the spotlight was on goods and manufacturing.

If you were asked to write a an article of the essentials of services marketing in the late 1970s, you could draw on a limited number of research findings and practitioner cases. And there was resistance from the marketing establishment. ”Marketing services is the same as marketing goods”, ”Services are non-important”, and ”The service sector is retarded” were some of the frequently voiced objections.

Despite the resistance, there were enough stubborn pioneers who attracted a critical and rapidly growing mass of researchers and practitioners. Writing a state of the art services marketing article in the late 1980s therefore required considerably more space and discernment than a decade before.

In the late 1990s information technology (IT) entered the service arena with totally new infrastructures – notably email, the Internet, powerful laptops, and mobile telephony – but the service applications were more hype and odd cases than marketing reality. In the 2000s, although the bulk of services remain the same as basic customer needs have not changed dramatically, the ordering and production of many services have changed. IT applications have matured into working services and new services have spawned totally new markets and strategies, and will keep doing so.

When venturing to write on the state of services marketing in 2007, the task is not that easy. In some way we are back where we started. But we are back on a higher level of understanding and technology. We could add another lesson, which may stand out as shocking to some:

”There is no such thing as goods marketing!”

Together with the statement in the heading, this reflects a disturbing circumstance that has been there all along: How should we handle the dependency between goods and services? Take any service and there are goods elements; take any good and there are service elements. Goods and services are destined to live together, and to become competitive even to love each other. After having worked with marketing in organizations and done research in services for several decades, I dare now say with confidence that we begin to see the light:

”All marketing is about value propositions!”

This simply means that customers do not buy goods or services; they buy something that they perceive to be of value for them. As the proof of the pudding is in the eating, value only springs up in interaction with the customer and it does so in countless, individual ways. For example, buying a car is classified as the outcome of goods marketing, renting a car as the outcome of services marketing. For each customer, however, value is created in his or her interaction with the car. It is driving to a desired destination; driving the car well or badly; taking good care of it, or neglecting its maintenance; praising its convenience, or cursing traffic jams, absence of parking space, and the rising gas price; enjoying music and the privacy, or getting bored by long, lonely hours in the car; and so on.

The car remains a value proposition whether it is driver owned, owned by your employer, bought with borrowed money, leased, rented or owned by your parents. The actualisation of value is in the hands of the consumer. In the current debate, the value proposition idea is gaining ground. First it stresses that what you sell should add value to the customer, second that it is a proposition and not the final outcome of business and economic activity.

This may not be new but eventually it seems to be catching the imagination of marketers. It could be the beginnings of a more general approach to marketing management based on better theory. Marketing theory today holds reminiscences of inadequate microeconomic theory; draws on sociology, psychology, and other social sciences; and offers fragmented research, practitioner experiences, personal observations, success stories, and sometimes hype. There is as yet too little effort in the direction of grand marketing theory and a higher level roadmap. Natural sciences strive to get deep into the secrets of nature, discovering galaxies, atoms, genes, and so on which form the basis of life. Although knowledge of marketing has grown tremendously over the past half century, we have not [yet] found the marketing genome.

Tricks Definitions Play

One might conclude from the discussion so far that the terms goods and services should be abandoned. This is not so, but they should be used with more finesse.

Goods/Services vs. the Service-dominant Logic

There is no generally accepted and complete definition of services. Services could basically be referred to as dynamic activities and processes, while goods are static things. IBM, in their ongoing research programme *Service Science*, lists a random selection of efforts to define services from the literature and suggest that services are ”a provider-client interaction that creates and captures value”. Another approach is to list services, as is done in official statistics. Pauli (1987, pp. 33-34) suggested that “…perhaps it is not necessary to have a clear, once-and-for-all definition. After all, GATT (General Agreement on Tariffs and Trade) has never defined goods.” The following case exhibits the reality of this uncertainty and confusion in situations that we all experience as consumers.

> A visit to a supermarket reveals that goods are not well defined. For example, muesli can be anything from the original Swiss mixture of organically grown cereal, dried fruit and fibres, based on ideas about health, to a candy mix that sends your blood sugar to the moon for a brief spell of energy. Very few of the hundreds of “yoghurt” variants on supermarket shelves and promoted as low-fat diet products have a living yoghurt culture in them. Further, food stores and restaurants offer the service of making food conveniently available. A restaurant offers the service of ready-to-eat food together with eating space and supportive equipment. It also offers ambiance – a certain atmosphere responding to a lifestyle – and there is any amount of variation of restaurants. Goods appear in two shapes: consumption goods (food and drink) and durable goods (knives and forks, chairs and tables). The services appear as waiters and other staff, or it could be self-service, or a combination. A pleasant waiter (services) may or may not compensate for bad food (goods), and an unpleasant waiter may or may not destroy the pleasure of good food. So there is a contextually dependent trade-off between goods and services. However, you can’t run a restaurant without goods, notably the food. There are also hybrids of restaurants and food stores and physical stores, mail-order, Internet sales, and direct selling (such as Tupperware home-parties) increasingly combine. For example, the same store may have a website allowing you to ”window-shop” on your computer screen, order from the website and get the goods in the mail, go to the store to buy it, or join a home-party hosted by the store.

Efforts have been made to get *product* accepted as a joint term for goods and services and to use *offering, package* or *solution* as all inclusive concepts for what the customer buys. It has not worked. When you read ”products” in a marketing text it generally means goods, and the other concepts are only used in select cases.

The *service-dominant logic* suggests *service* (in the singular) as the core concept replacing both goods and services. A supplier offers a *value proposition*, but *value actualisation* occurs in the usage and consumption process. Thus value is the outcome of *co-creation* between suppliers and customers. This can be extended beyond the customer-supplier dyad. Consider the *complex* and *adaptive networks* in which we are embedded in society: intermediaries, competitors, friends, government, the media, and so on. The co-creation also includes customer activities during the usage and consumption process. Although my current perception of marketing it is not in conflict with the general ideas of the service-dominant logic, the article offers my own interpretation and combination of features.

The number of marketing situations are like the stars in the sky. We cannot really count them and allocate them to general categories which consider the necessary details. The situations are composed of similarities and differences, of modules that can be shared in different configurations and customized or mass-customized to take care of situations that closely resemble each other.

When the terms goods and services are used in this text they represent a certain *emphasis* or *perspectives*. They are used when either the *things aspect* or the *activities aspect* is in focus for analysis or action. We can also use the term services in a loose sense when we talk about hotel services, and railway services, and so on. The term service is used as synonymous with value. See also the discussion about the meaning of services in Grönroos (2007).

The Service Sector – Fuzzy and Fussy

Let us lift our view from the micro to the macro level. Like the unicorn in James Thurber's famous fable, the service sector is a mythical beast. In official statistics, economies consist of the service sector, the industrial (goods manufacturing) sector, and the agricultural sector. These sectors are playgrounds for statisticians and economists who revel in ambiguous categories. In reality these statistical ”boxes” are a procrustean compromise; the focal phenomenon does not fill up the box at the same time as part of it cannot be squeezed into it.

The sectors are fuzzy sets of things and activities. For example, when it is estimated that a company is getting 51% of its revenue from the sales of manufactured goods, it is classified as a manufacturing company. If instead 51% of its revenue comes from repairing and maintaining its products, it becomes a service company. If a manufacturing company turns its repair and maintenance department into a subsidiary, the service sector grows and the manufacturing sector drops. The upsurge in incorporating internal departments and outsourcing services gives the impression that the service sector grows. It is mainly the book-keeping of the sector that has changed and reality has only changed marginally. These types of definitions have no validity and no relevance in marketing, academic research and practice alike. In addition, the statistics only count the part of our economy which is represented by money. It does not count when two people exchange goods or services for other goods or services, the work done in families and between friends, and the black economy. It does not consider the voluntary sector and the importance of non-government organizations, NGOs, such as the Salvation Army and Greenpeace. According to Drucker (1989) the voluntary sector is equally important as the others. The division in sectors may have some meaning for politicians and governments on a macro level, but I doubt it. It is more likely a hindrance to more informed and substantive understanding of the market and marketing situations.

Today's conventional truth says that the service sector has grown and keeps growing, that the goods sector is declining, and that the agricultural sector in many countries is vanishing (Communications of the ACM 2006). We allegedly left the agricultural era for the industrial era and have entered the post-industrial era, the information age, the knowledge-based society, or the service economy; there are many names that try to pinpoint our current situation. The statistics are based on cost, price and employment data but not on consumption as value for customers. The sector definitions are totally product-centric and the customer is non-existent.

In contrast, a customer-centric view shows us that we have never had as much goods as we have today and there has been sustaining growth in shopping areas and Internet trade. For example, in the 1950s well-off people had one car, and everybody had one radio set; two radios were for the wealthy. Today, people have any amount of radios, phones, computers, television sets and cameras, and two-car households are common. The fashion industry is booming, and leisure products like ski equipment become increasingly sophisticated and costly.

The alleged decline in food production is not reflected in stores or people. We have never been so fat as we are today. Obesity starts early, and increasingly children get type

2 diabetes, a disease which used to strike the elderly. We have never had so many agricultural products, but unfortunately these increasingly include artificial and chemical substances, which belong to manufacturing, and are not linked to farming. Jamie Oliver in the UK, known world-wide as the Naked Chef on TV, has single-handedly managed to raise the awareness of the hazardous eating habits of school-children – a case of social marketing extraordinaire.

We also use services we could not afford before or that did not exist in their current form, like mobile telephony, entertainment and travel. Many of the most important services, however, are in short supply, such as proper education, legal assistance, security in the streets and homes, and not least health services. Home care services are not affordable in many ”rich” countries because of tax and employment laws.

Many services are people intense and should remain so. However, the industrialisation of services keeps going on, made possible through new or improved technology and systems. In his discussion on the industrialisation of services, Levitt was too early in asserting that developments in service industries were hindered by inadequate concepts (1972, p. 43): “Service thinks humanistically, and that explains its failures...Manufacturing thinks technocratically and that explains its success.” He was on to something but it is only in the third millennium that technology has become powerful enough to industrialise many service operations. Others, like transportation and electricity services, have been industrialised for a century or more, and keep finding new solutions.

One example of misguided statistics is the health care sector, which is almost daily in the news reporting medical breakthroughs, shortage of doctors, skyrocketing costs, and inefficient organisation. However, the health care sector is a nonsense category from the customer and marketer perspective. It harbours the most complex set of goods and services that you can think of. You can buy a band-aid in a pharmacy and use it if you cut yourself, or you can have trauma surgery after a traffic accident, or be struck by cancer that requires sophisticated treatment for years. In between these are thousands of health-related situations that require different value propositions. To make a credible generalisation to health care we need detailed, substantive cases and meticulous analyses – which we don’t have.

Another myth is sector-related employment. We can read that the manufacturing and agricultural sectors in developed countries add no new net jobs. In relative terms their employment has been going down for decades because of automation; it´s all done by machines. It is further claimed that the new jobs come from the service sector, but the category is so diverse as to render such ”information” empty. Consider this case of new jobs and the interdependence between the manufacturing and service sectors (based on Mandel 2006):

> In the early 2000s the housing boom in the US created a million new jobs subdivided between construction, building supplies, real estate and mortgage brokers, furniture and appliance manufacturing and distribution, home-supply stores, architects and interior designers. Simultaneously the IT bust lay off even more people. New jobs also came from health care services, but few from producers of pharmaceuticals and none from the medical equipment and supplies industry. Between 2001 and 2006 US health care added 1.7 million new jobs subdivided between private and government hospitals, physicians’ offices, nursing facilities, health insurers, and diagnostic labs. The rest of the private service sector added none. The government sector (except hospitals) added 700,000 jobs of which over half a million were in education. These dramatic changes in service sub-sectors are not visible in aggregated statistics. To say that

> the service sector contributed all the new jobs is meaningless as changes up and down were caused by a few of its sub-sectors.

Goods, services, service, and the service sector have fuzzy definitions for a very trite reason: they represent fuzzy phenomena. It is time to put a halt to all the fuss that these statistics are creating in a wild goose chase and go for the real thing.

Goods/Services Differences – Reality and Myth

According to the mainstream literature, services can be defined by comparing them to goods – despite the fact that goods have not been generically defined. This is yet another wild goose chase. It is an unfortunate example of a non-scholarly stance and it is certainly not of help to the practicing marketer.

Philosophical contributions from three centuries provided a set of ”characteristics” of services that have now been claimed to distinguish them from goods. The most famous are *intangibility, heterogeneity, inseparability* and *perishability*, now known as the IHIPs. In Scotland, Adam Smith (1723-1790) discussed perishability of services; in France, Jean-Baptiste Say (1767-1832) introduced intangibility (immateriality) and inseparability; and in England Joan Robinson (1903-1983) brought in heterogeneity. Services seem then to have been dropped from the economics agenda, but the interest was revived in management and marketing. The earliest marketing references for these characteristics appeared in the beginning of the 1960s.

We shall take a critical but constructive look at the IHIPs from what we know today. We can then see that they do not discriminate between goods and services but offer characteristics which may sometimes be of interest for all value propositions and sometimes are irrelevant.

It is claimed that goods are tangible and services are *intangible* and intangibility has since been used in the services marketing literature to ”explain” anything. I have rarely heard it in practitioner discussions, though, and there is no empirical evidence that the intangibility aspect has an impact on marketing strategy or market behaviour that separates a good from a service. You can argue for it in special cases but there are equally intangible properties of goods such as a car brand and its symbolic value to an individual, and romantic dreams triggered by a perfume. Judge for yourself:

> Who, being personally exposed to surgery, will find it an intangible service? You are strapped to a bed and wheeled into a room packed with costly state-of-the-art technology, machines, tools and disposable products. They put spotlights on you like you were the star of a show – which in fact you may be; the room used to be called an operating theatre with future doctors and nurses watching from the stalls. In a dizzy condition as you have already been given sedatives through a syringe, you see a team of ghostlike people, totally covered in white except for the eyes. They are led by a guy with a knife in his hand. He cuts open your belly, messes around, even removes something. It may take hours. You are perhaps luckier then Humpty Dumpty and all the King’s doctors and all the King’s nurses can get you together again. Intangible, eh?

It is further claimed that goods are standardised, that goods quality can be tightly controlled and that the quality is easy to assess by the customer before purchase. Accordingly, services which are the other way around and are in part performed by human labour, become *heterogeneous* and are of variable quality which is hard to control and assess before purchase. Again, there are such cases with services but also with goods, and it is easy to find cases that argue the opposite. For example, credit cards and cash machines offer standardised and tightly controlled services, or rather they are mass-customised because each customer has a different credit status and withdraws different sums of money.

Inseparability or simultaneity refers to the fact that with many services, production, marketing, purchasing, delivery and consumption are, at least in part, performed with the customer present, and by the same employee. This aspect will be discussed later as the service encounter and interactivity but is not limited to services. The generality of the inseparability property for services is limited, though. Many services are performed when the customer is not present, for example, dry-cleaning, car repair or the transportation of goods to a store. Other examples are the police, the courts, the jails, the defence and road maintenance. We profit from their services but most of us hope we will never get involved.

How about *perishability*? A prevalent idea is that services cannot be stored for later use, resold, or returned. When a hairdresser has no customers, the unused capacity is wasted and if there are too many customers they cannot be served and income opportunities are lost. But service companies store service capacity: a hotel is a store of rooms, a hospital is a store of medical knowledge, equipment and procedures. When customers are few, time can often be spent on the maintenance of facilities and systems, administration, and reading up on new developments. When demand follows predictable cycles, the size of staff can be adjusted accordingly. It is claimed that manufacturing does not have the perishability problem – which is not at all true. Fresh products have a limited life. If the sales of garments are lower than manufacturing capacity, a plant can often go on producing and build inventory for later sales. However, there is a limit to this. One is financial; unsold products tie up capital and storage space, and demand maintenance, protection against damage and theft, and insurance. Another is that the product cycle is quicker today, both because of technology changes and fashion. A computer cannot be stored very long, and a dress made for the summer season has lost most of its value when the autumn leaves are falling.

In textbooks and education, the IHIPs are presented as general for services thus separating them from goods. As we have seen it is easy to question them, as did Wyckham, Fitzroy and Mandry in an article as early as 1975. They pointed out that intra-group variation (variation within the services and goods categories) could be greater than inter-group variation (variation between the categories). Their suggestion was that a company's marketing strategy should be based on a function of all the features in the offering, irrespective of whether they were services or goods. This makes the distinction goods-services immaterial and highlights the complete value proposition. It was not until recently, mainly through two articles by Lovelock and Gummesson (2004) and Vargo and Lusch (2004b) that this flawed generalization was exposed to a wider audience. Still, however, many textbooks continue to carry the IHIP message, thus misleading new generations of students.

The IHIPs can be used among a multitude of other properties of the value proposition, but they do not distinguish between goods and services. Other characteristics have been largely overlooked and one is the *rental* aspect and the *absence of ownership* in service purchases (Judd 1964; Lovelock and Gummeson 2004).

When and Where Marketing Occurs

Services marketing developed the idea of the service encounter, which was mentioned in the paragraph on inseparability and simultaneity. The service encounter is characterised by interaction between providers and customers. It is often put forward in the mainstream literature as the core of services marketing. However, there are also the cases of no encounter. Then there are numerous variations and degrees of intensity in between the close encounter and the no encounter.

To explain interactivity in the service encounter, the model in *Figure 1* will be used (Gummesson 2002). It shows different roles and interactions that are critical in marketing and it does so with the customer in focus. The service encounter is not only about marketing; it is about production, delivery, innovation, complaints, administration and whatever you can think of. The same employee often fulfils several of these functions. To emphasise the employee's role in marketing, the concept of the part-time marketer will be discussed later.

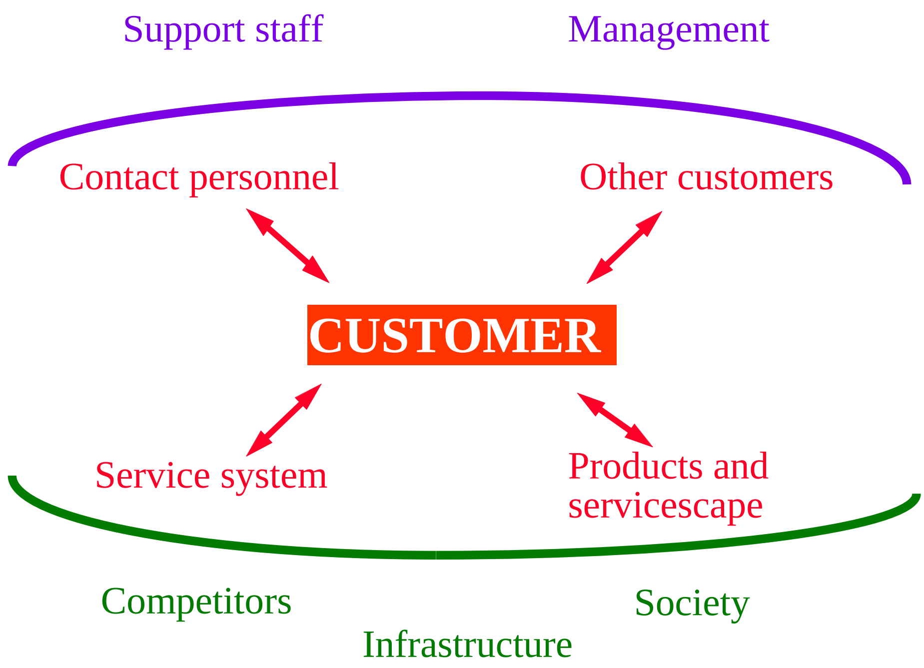

Figure 1 A service encounter model showing relationships and interaction between service providers and customers. (Source: Gummesson 2002, p. 68. Reproduced with permission.)

The Service Encounter

Interaction Between the Customer and the Contact Person

The personal contact which service production often gives rise to is an important part of the customer's perception of the quality of the service. The customer interacts with contact staff – cashiers, flight attendants, craftsmen – for all or part of the time the service is being performed. At the same time, the customer partially consumes the service. The customer performs part of the work, for example, for a hospital service by calling to make an appointment, driving to the hospital and parking, or preparing for tests by fasting in the morning. During this personal encounter and the service production, the customer makes conscious and unconscious evaluations of the quality of the supplier and decides whether or not to remain a loyal customer. It is therefore important to make the encounter a positive experience as this case spells out.

> Christer Roth brought the local restaurant Ulla Winbladh in Stockholm, Sweden, to success. He was always there and his presence was felt. He kept a close watch on guests and employees and sensed the atmosphere, making sure that everything ran smoothly and that the food was top class. He quickly got to know guests who came back, and he made them feel special. “You must like your guests,” he said. “If you don’t, the job is impossible.” He was not servile, constantly smiling to guests. He could argue with them but he did it in an open and sincere way that created respect. Before joining the restaurant he worked in a rehabilitation centre for drug-addicts. My immediate reaction was that this must have been very different. “Not really,” he said. “In both cases you have to be interested in your customers and show a genuine concern.” He was right – both jobs are in the hospitality business. Commitment and a positive attitude is absolutely essential in business or government alike and Christer did not make a distinction between production, delivery and marketing; it was all there as value-adding activities.

Customer-to-customer Interaction, C2C

The individual customer is also influenced by other customers. A negative influence is queues which are usually experienced as a nuisance. Customers become an obstacle to each other in getting the service performed. On the positive side, customers can help each other (hospital), create a pleasant atmosphere (restaurant), and produce a service together (disco). C2C interaction and the customers role in both the value proposition and value actualisation is a growing area for research and practical applications. It will therefore be treated at more length in a later section of the article.

Customer Interaction with Physical Products and Servicescapes

The physical products include both *durable, capital goods* and *consumption goods* as was epitomised earlier. The literature stresses the significance of physical products in the services setting, the *servicescape* as Bitner (1992) calls it. The physical elements have of course a rational function such as escalators in an airport and easy-to-read signs. They also have a symbolic mission: an impression of tranquillity and dignity (funeral parlour), of professionalism (wigs on British judges), or youthfulness (IT start-up with young people in trendy offices).

Part of the industrialisation of services is to replace staff with automation (machines and IT), generally with the objective of cost reduction but sometimes also to improve service quality. American psychologist Donald Norman (1988) estimated that we are in contact with 20,000 products in our daily lives. He talked of the “psychopathology of everyday things”, those that are wrongly designed from the user's viewpoint such as faucets in bathrooms that are difficult to turn if your fingers are wet and signs that can be misinterpreted.

Customer-to-system Interaction

From a customer and competitor viewpoint, the service production system should be such that customers understand it, accept it, and are attracted by it. This is especially important as customers increasingly operate the systems themselves, for example websites and ticketing machines. If the customers feel that a system is too complicated or feel insecure, they will avoid the purchase or find other ways. A severe problem today is customer-friendly websites and security in payment systems.

Provider Internal Operations

So far customer-supplier interactions have been described. Within the provider system and organization there are also *support staff (back office, back-room, backstage)* and *management.* They are not normally in contact with external customers but only interact with internal customers. Management is found on several levels but sometimes may be one of several roles that a person plays. A manager in a service company helps a contact or support person when needed, or switches between tasks to balance capacity needs, for example, a hotel manager checks out guests if the morning rush creates queues. In small service operations the same person fulfils all the roles. To handle the many internal contacts in services firms, services marketing spawned the concept of internal marketing which is now thought to be applicable in all types of organizations (see Ballantyne 2003).

The Environment

The environment of the service production system is defined in the model as *competition*, *society* and *infrastructure*. Lack of competition is the definition of a monopoly. Until deregulation in the 1980s, railways, telecom, radio and television were often state monopolies. In several cases the government sector in practice have retained a monopoly on services even though deregulation has been in progress for a long time. So have some private industries, for example banks that monopolise the money transaction infrastructure. Conjectured scarcity and waiting-lines are the most ”efficient” ways for politicians, government officials, and service employees alike to boost power and keep up prices.

The infrastructure is crucial for a service company's opportunities. Infrastructure includes traditional elements like roads and waterways, postal systems, airline networks, and radio and television networks. A recent addition is broadband systems which increase the accessibility and speed of email and the Internet.

Political decisions on the mega level may be of great importance to services. Here is a dilemma that the European Union, EU, is trying to get to grips with:

> In 1958 the Treaty of Rome, predecessor to the EU, put the Four Freedoms on the European trade agenda: free movement of goods, services, money and people across member state borders. The least successfully implemented freedom is services. It clashes with national culture, tradition, legislation, political power and local competition and consequently is tough to handle in practice. The service freedom has met with resistance and red tape to hold the “foreign intruders” at bay. Eventually, on November 15, 2006, the EU Service Directive was agreed. Its aim is to have the stumbling-blocks removed by 2010. Until then, however, we will not know if the goal has been reached. However, the reference to “services” is vague. The problem concerns certain, specific situations and it would make more sense to specify these than to speak of services in general.

The Part-time Marketer

Marketing cannot survive in isolation from other functions. That is general and not only so in services marketing and the service encounter. Marketing management usually does not address the dependency between functions, although many have over the years pointed to the inadequacy of functional silos. In practice, the marketing function is spread throughout the firm and the marketing and sales departments may even play a limited role in the total marketing effort. Especially in small firms there is not even a marketing and sales department. Instead, each and everyone is involved in marketing. This may be perceived as an organizational dilemma, but is also an opportunity to enhance marketing resources.

We can identify two types of marketers: *full-time marketers* (FTMs), and *part-time marketers* (PTMs).

FTMs are those who are hired for working with marketing and sales tasks. They are found in *the marketing and sales departments* and among *external providers of marketing services.* Outsourcing of marketing activities has increased and these constitute reinforcements to the marketing function. Distributors offer transportation, wholesaling and retailing services, all strategic and crucial for success in marketing. The marketing function also engages external professionals such as advertising agencies, market research institutes, and management consultants.

PTMs are all others in the company and those in its environment that influence the company's marketing. That is obvious in the service encounter where, for example, a customer meets a flight attendant whose job is not marketing but whose behaviour influences the customer's perception of the airline. Customers are external PTMs; word-of-mouth is a traditional expression for this. But the customers' role in marketing has increased as has been pointed out already and will also be discussed later.

Note that *FTMs cannot be at the right place at the right time with the right customer contact and right knowledge, but the PTMs can.* Unsuccessful marketing is not solely to blame on the marketing and sales departments, but also on the marketing function as a whole, its PTMs and lack of integration between functions. To promote inter-functional cooperation it would be beneficial for every marketer to learn about operations management as applied to services.

The distinction between FTMs and PTMs has extensive consequences for the approach to marketing. It makes it legitimate and imperative for everyone to influence customer relationships. Everybody is either an FTM or a PTM. Those employees who do not influence the relationships to customers full time or part time, directly or indirectly, are redundant.

Marketing and Money: Quality, Productivity and Profitability

Marketing is not just about happy customers and the revenue they generate. It is also about the cost that is incurred and the bottom line, making sure that revenue minus cost leaves a profit. Marketers are often accused of not watching money closely enough, or being too ignorant of financial mechanics. This section is here to make sure that marketers see their role in the whole.

Quality has been mentioned several times. It had degenerated into an empty word but this changed during the 1980s. Services marketing became dominated by services quality issues, primarily defined as customer perceived quality which added a fresh angle to customer satisfaction and customer-orientation. The bulk of service researchers got engaged in questionnaire studies of customer satisfaction, and many keep doing so.

That was also the period when the West started to take goods quality more seriously, forced by the Japanese and their success in the markets for cars, television, cameras and a host of other products. Characteristic of the Japanese approach was that quality and productivity were approached simultaneously. It is nowhere as obvious as in the case of Toyota, that has become the world leader in car quality, productivity, innovation and marketing. It has also extended its interest in quality and productivity to the customer and customer service. In 2007 Toyota overtook General Motors as the biggest car manufacturer in the world, and it is also the most profitable.

The following proposition forms the vantage point for the section: ”Quality, productivity and profitability are triplets; separating one from the other creates an unhappy family” (Gummesson 1998, p. 6). The ”triplets” all serve the purpose of making operations efficient, both to the supplier and the customer.

A misleading but recurrent statement claims that service productivity is lagging behind goods and manufacturing productivity. The statement is based on lack of understanding for service productivity, trying to manage and measure it on the terms of manufacturing. There is also a political and ideological debate on the productivity of the government sector as compared with the private service sector.

The interconnection between productivity, quality, and profitability – the *triplets at play* – is graphically shown in *Figure 2*.

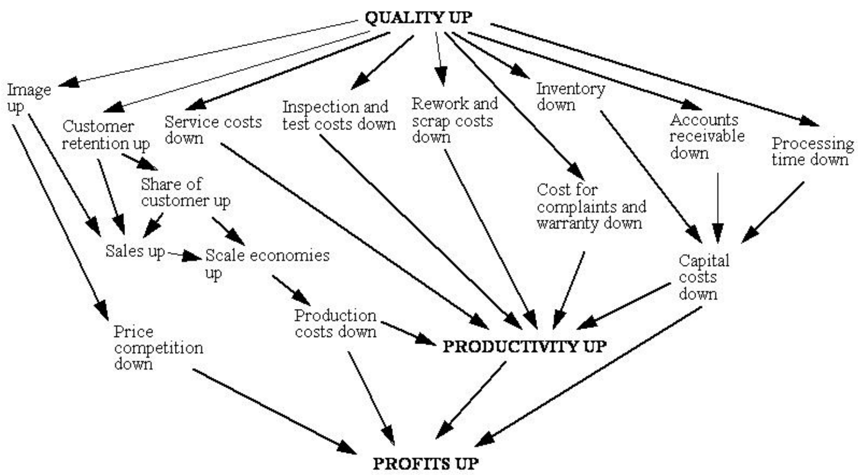

Figure 2 The triplets at play (Source: Gummesson 1998, p. 6. Reproduced with permission)

At the top of the figure is quality, defined as 1. producing a defect-free product or service right from the beginning; and 2. producing a value proposition that customers need and want. If quality improves in these senses, it can have a positive impact on *revenue* (left section of the figure), *cost* (middle section), and *capital employed* (right section). When function and reliability improve, they boost the image in the market, customer retention, and share of customer (i.e. the percentage of a customer’s purchase of a certain product which is made from a specific supplier). These changes stimulate sales volume growth, differentiate a supplier from the competition and make the supplier less dependent on price competition. When sales and share of customer go up, the supplier can profit from scale economics (up to a certain level), and production costs per unit go down. This affects both productivity and profitability. Further, service costs for machinery go down, and so do the costs of inspection, testing, rework, scrap, complaints, and warranties. The capital employed is reduced as less inventory needs to be kept; accounts receivable go down because payment comes earlier and less payment is delayed because of complaints; and reduction of processing time frees resources. As the cash flow becomes quicker, the money can be used elsewhere and capital costs are reduced. Improved productivity becomes an antecedent to profitability.

The figure is conceptual and its interpretation goes as far as to conclude that something may go up or down. There is always a desire and need to measure, preferably precisely, the financial consequences of marketing strategies. This has been tried for at least fifty years without any remarkable progress. Currently fresh efforts are being made (Ambler 2000; Rust, Zeithaml and Lemon 2000).

Re-casting Supplier and Customer Roles

A legacy from economics states that there are sellers and buyers who enter into exchange. Mainstream marketing management considers the seller the active party persuading the passive customer. Relational approaches to marketing (see further below) have partially managed to change this view. Futurist Alvin Toffler (1980) minted the concepts “prosumer” and “prosumption” as composites of producer, consumer and consumption. The concepts say that the customer is an integral part of the production system and that the borderline between supplier and customer has been at least partly erased. It is not new; do-it-yourself is a big market and IKEA has built 60 years of unbroken success on customers doing transportation and assembly jobs.

However, the American Marketing Association’s new definition of marketing from 2004 states that marketing delivers value *to* customers and *manages* customer relationships. So officially marketing is still locked in the supplier/customer and active/passive trap (see further a critical discussion in Grönroos 2006).

Within the service-dominant logic the customer is a prosumer and co-creator of value. The reality of this condition is progressively being demonstrated both in practice and theory. It has already been seen in *Figure 1* and the service encounter. Two types of interaction were especially stressed there: contributions from the supplier and the customer in interaction, and contributions from C2C interaction. There are also independent contributions from the supplier and independent contributions from the customer. There is further individual customer interaction with the value proposition to arrive at value actualisation and individual satisfaction. In all these instances both customers and suppliers contribute to quality and productivity.

When quality and productivity are measured and displayed in statistics, only the supplier input and output are considered. This may sometimes be motivated from the suppliers point of view and especially in manufacturing. No wonder that service quality is mostly measured as the black box concept “customer satisfaction” and technical aspects such as punctuality or relations aspects such as communication with customers. The productivity concept from manufacturing does not fit when activities are performed by customers. No wonder that engineers, statisticians and economists express frustration about service productivity and complain about it. However, they are locking themselves up in mental prisons and nobody – except their prejudices stop them from getting out.

Goods manufacturing can also be interactive and is increasingly so through outsourcing and the building of network organizations. In B2B marketing, companies may develop, produce, and finance products in joint ventures.

We have already become familiar with C2C interaction. IT has expanded the opportunities for business customers and consumers to communicate with companies and with other customers. The Internet could be considered an enabler of C2C interaction. But C2C interaction occurs in a physical encounter in the marketplace as well as in the virtual IT-mediated encounter in marketspace.

Nicholls (2005) has classified physical C2C interaction by studying critical incidents of both positive and negative customer involvement in several services in Poland. He finds a great variety of events that can be related to time, place, conversation, need for information, and need for help or turning down help. Most concern one-to-one, but some occur in a public environment and involve all those present. A context of many-to-many is created. This is also the case in a study by Harris and Baron (2004) who examined conversation between strangers on trains in England. In a model for C2C, they expose the consequences for consumers and providers. Among other things, they show that conversation between passengers on trains has a stabilizing effect on the mood of the passengers when, for example, delays occur. The results also show that when employees are not available, passengers perform their tasks. It can be information about the timetable or where to change trains. From the railway company's perspective the passenger is an unsalaried part-time employee. The interaction can also be seen as a purely social act, for example, the joy of helping somebody or telling about something you know. Customers co-create the value of the service to the benefit of themselves and the service provider. Unfortunately, the providers may not see the contribution of this involvement and fail to support it.

How the customers' active involvement affects marketing is gradually being learnt. Even advertising agencies, who traditionally embody mass marketing, are re-thinking (based on Creamer 2007):

> Consumers were recently recognised to have a more influential role in marketing than the professional marketers. Every year the American journal *Advertising Age* nominates the best advertising agency. In 2006 the award did not go to a traditional agency but to – the consumer! Through the Internet, email, mobile phones and other IT media, individual customers and C2C interaction through communities reach out in the world. Consumers control the brands more than the legal brand owners do. Web-based chat groups, hate sites and fan clubs have been around for some time. Now we also have blogs and the TiVo (which keeps commercials off your TV). In an instant, YouTube, which lets anybody show their videos on the Internet, has become a smashing hit.

Gatarski and Lundkvist (1998) have analysed actors and interaction on the Internet where conversation, dialogue, and interaction – chatting – have become part of the social life. It can be chatting between a customer and a supplier B2C, or between customers C2C. An example of this is found in the next case, which is a modern – or perhaps postmodern, but true – success story. It is about the Linux operating system. It is about C2C interaction that develops Linux in a network context, and customers who constitute an informal but highly efficient R&D department (based on Gummesson 2007):

> In 2003, Linus Torvalds from Helsinki, Finland, became No. 3 on *Fortune's* list of the most influential people under 40 in the US, where he now lives. It began in 1991 with an e-mail to other computer geeks asking them to react to a new idea of an operating system for computers: …"just a hobby, won't be big

and professional…Any suggestions are welcome, but I won't promise I'll implement them."

The Linux operating system was born. It was developed on cheap hardware through interaction between users, C2C. An operating system is a service infrastructure for the digital world. Bill Gates became the world's richest man on Microsoft's operating system, which in practice has had a monopoly and exists in every computer. Torvalds went another way. Through an open source code, free to anyone to enter the system, use it and influence it. He did not earn money on the system; his curiosity drove him.

Linux did not just become a short-lived happening. Its market share in servers rose from 6.8% in 1997 to 24% in 2003 and it keeps rising. In 2005, it was almost everywhere. For example, Google, Motorola, and Volvo use it in some of their products and services, and Dell, HP, and IBM run it in servers and PCs.

What happens when such a network grows? The original community consisted of some hundred enthusiasts in a self-organizing system with Torvalds as the hub, keeping the network of contributors together. In 1999 the informal organization approached a critical tipping point. There were thousands of contributors to the system and Torvalds could not handle them all without big delays. He had to delegate. The former network captain now has a team of lieutenants. In 2005, IBM, HP, Intel, and others contributed thousands of programmers. But Linux is still a network with no official headquarters, no CEO, and no employees. Companies in the network profit from selling Linux packages, user manuals, updates and other services, and manufacturers preload Linux in servers and PCs.

The Linux case is a remarkable instance of C2C interaction creating a new computer service, performed in a way that defies all traditional theories of innovation processes and management. There is no plan but there is an obsession in the minds of the customers. Service design/engineering and service production/delivery work hand in hand. The considerable size of Linux today has not forced it into a traditional corporate structure. It stays a C2C network supplemented by alliances with different clusters of suppliers.

In B2B marketing we can't tell which B means supplier and which means customer. The design of the B2C acronym is plain, however; it is business-to-customer and not the other way around. To avoid falling back into the marketing management and mix ambush of considering the supplier active and the customer passive, I advocate an extension of the acronym to B2C/C2B.

The Tech and Human Balance: High Tech/High Touch – and Low Tech

There is a strong trend in management and marketing to propose IT systems as a cure-all for economic ills. High tech is highly regarded, low tech has a lowly status. And the human being is too costly, too messy and too unreliable. Let's take a look at this trend. Traditional goods like tabloids and hot dogs are bigger than ever in the marketplace – and the outcome represents low tech. Basic needs and instincts such as love, social contact, sleep, nutrition and air cannot be taken over by high tech to the benefit of customers, even if efforts are made. The human being is instrumental in designing the smart systems and the software and controlling them. Consumers, we learn, are not buying products and services but experiences and dreams, driven in their choice of suppliers by something as mushy and woolly as brands and their symbolic value. So we have to look for a balance.

Consider the case of Harley-Davidson, its general value proposition, its co-creation of value and the importance of C2C interaction. It is high tech/high touch (based on Gummesson 2007):

> Who wants a Harley-Davidson motorbike? The common idea seems to be that it is a younger man with an unconventional lifestyle. The classic movie *Easy Rider* with Peter Fonda, Dennis Hopper and Jack Nicholson inspired a whole generation of young people the 1960s and Robert Pirsig's *Zen and the Art of Motorcycle Maintenance* became a cult book. Some bikers unfortunately form criminal gangs which have given rise to globally organized crime.
>
> This widespread image is only marginally true for H-D, and the retailers should have understood it. Perhaps they knew, but nobody at the factory listened. H-D is expensive to buy and to maintain, and expensive to protect against theft. So the owner needs some money.
>
> When the company finally studied its buyers systematically, they came up with a different picture. Those who really wanted an H-D were middle aged males (and some females). They were married, had children, a good job, and their own house. They wanted to hit the road and feel the freedom – but they wanted to do it in style. They could afford it. Perhaps it was a dream from younger days when they couldn't afford it. They hid their H-D in the garage where they served it and polished it. They hit the road sometimes when it was dark and the neighbours could not see them. But these enthusiastic customers missed something. They wanted company, they wanted to be with others who shared their interest in H-D, discuss motorbikes, feel the freedom, and do something thrilling which took them away from the responsibilities of the workday.
>
> H-D management had to take some courageous decisions and expedite the implementation: upgrade the technical quality keeping the sound and other unique features; direct their marketing to the right target groups; and create opportunities for H-D owners to interact with H-D and between themselves.
>
> Today H-D is a profitable company which in 2006 shipped 350,000 motorbikes. Harley Owners Group, H.O.G. has one million members in 1,200 local chapters "… united by a common passion: making the Harley-Davidson dream a way of life." The club mission is "to ride and have fun." Through H.O.G. the H-D owner establishes a network of relationships with others with a shared lifestyle. We are reminded of the idea of the dream society where you buy a story, an experience, an identity, a lifestyle, and not in the first place a physical product even if the access to such a product is a necessary antecedent to all the others.

The conclusion is that *the customer does not buy an H-D, but a membership in a network where a motorbike is included and opens the opportunity for experiences and dreams. From this value proposition customers co-create value to satisfy their individual needs and wants.* This is a general conclusion. Now consider a specific situation:

> My colleague at Stockholm University, Ola Feurst, bought an H-D after a traffic accident and burnout. He needed to do something else than just work. It was also a dream from his teens which could now be fulfilled. The motorbike has become part of his brand identity. He bought a black leather suit and grew a beard; he already had a ponytail. He keeps the suit on in the classroom which

> helps maintain his brand. When Philip Kotler, the well known marketing professor, at the age of 70 gave a guest lecture for us, we offered him a tour on Ola’s H-D. He got excited and gave yet another reason for buying an H-D. ”I’d put it in my living room,” he said. “It’s so beautiful. It’s a sculpture.” It would add neatly to the large collection of glass sculptures already giving Kotler’s living room a unique atmosphere.

The concept of high tech/high touch was launched by Naisbitt (1982) twenty-five years ago, but seems more topical than ever. Perhaps just tech/touch would be enough to leave space for low tech and less flashy human needs. To find this optimal balance between technology and human aspects should be an important part of marketing strategy.

The Marketing Mix: The 4Ps Are Neither 4 Nor Ps

The marketing mix consists of those marketing strategies that companies use to persuade and manipulate the market. An inventory of marketing mixes and their various applications show that there is a rich variety and little coherence (Constantinides 2006). They are most popularly represented by the 4Ps: *product, price, promotion and place.* They offer an easy-to-remember simplification.

The 4P logic is straightforward. A supplier needs products, needs to price them, to promote them, and distribute them to the place where the customer can buy them. The Ps have been extended into 5Ps by adding *people* (Judd 1987), and 6Ps by adding *political power* and *public opinion formation* (Kotler 1984). Booms and Bitner (1981) suggested the 7Ps for services marketing, the original ones plus *participants*, *physical evidence* and *process*. The three new service Ps stress that the customer is a participant in production and through this exposed to marketing, that goods influence services marketing, and that services are a series of activities and not static objects. This is an informed effort to adapt the Ps to services, but the pedagogical beauty of the P format may curb more visionary attempts to develop marketing theory.

There is a lot of truth in the 4Ps and other mixes, and they are a good start. The major problem is that they are supplier-centric first, and only secondarily consider customer needs.

Let us see what the marketing mix includes today. Every strategy is a large topic in itself and here I can only touch on some aspects. Pricing services is such an intricate and not well-researched area, and so is the distribution of services (place). They deserve future attention. I will expand on the two Ps that I have studied more in depth, product and promotion. They are not so easy to tell apart.

Originally “product” was *goods* and later *services* were added. Marketing makes many efforts to find a deeper meaning behind what we are buying and consuming. *Value proposition* has been advanced here, supported by the service-dominant logic. We are also known to seek *experiences, kicks,* and *dreams* through motorcycles, parties, diving in the Barrier Reef, or visiting the Vatican Museum to marvel at Michelangelo’s paintings. The product can also be an international *event* like the European Song Contest or a local exhibition of roses. Their product is also defined through *storytelling*; we buy a story rather than the product itself. For example, all stories about the love lives of celebrities help build fame and sell tickets to theatres. The product today is also *information* where websites and search engines such as Google have opened up a new marketplace.

”Promotion” once consisted of *advertising, personal selling* and *sales promotion.* Today the forms for promotion have become more sophisticated. Advertising pops into our homes through television, radio and computers. It enters music through music videos and movies through product placement. What car James Bond will drive in his next film and what mobile phone he will use to call his girl-friends depends on which manufacturer pays the most.

Advertising through the mass media and direct mail is supplemented by *public relations, PR,* with the aim to create a positive image of a company in the market and society, preferably through editorial text and documentaries to make it stand out as more credible. A lot is about *branding* and loading offerings with perceptions about the supplier and their products. In a Formula 1 race the cars are covered by logotypes and World Cup skiers are advertising pillars. Events are increasingly dependent on such *sponsorship*. A cultural or sports event gives the sponsoring companies an opportunity to expose themselves to the market and even get in personal contact with customers. They become associated with the event and the glory of the winner of an Olympic gold medal is reflected on them.

On a mega strategic level *politics, lobbying* and *public opinion* come in. These means are used in both honest and dishonest form. Public opinion sometimes acts with common sense, sometimes not. For example, lobbyists can educate ignorant politicians but they can also corrupt them for selfish reasons and circumvent the democratic process.

Scientific research and *education* have also received growing attention by companies. The most obvious example is the pharmaceutical industry and their influence over medical research. Scientists are dependent on their sponsorship and pharmaceutical companies need the knowledge produced in research hospitals, but also to bask in the prestige of science, thus adding to their credibility in the public eye.

IT has given rise to *call centres* which companies themselves run as customer contact and help desks or outsource to specialised call centre companies. *Telemarketing* has entered into a new phase. Both these operations require plenty of staff and add employment opportunities, but are equally dependent on IT. *Email* and *web sites, mobile phones* and *text messaging* have redesigned the marketing landscape. The dissolution of the boundaries between telephones, TV and computers is spawning a new world for marketers and customers. IT also causes problems. The Internet architecture is not built to protect against dishonesty and today 30% of the cost of a computer and its software goes to patching unsafe systems and continuously developing new security programmes to curb criminality. Spam and pop-up windows are annoying elements but even worse is the financial fraud that customers get exposed to.

The major criticism against the marketing mix is that it counteracts the customer concept and is more manipulative than oriented towards the real needs of the market. The marketing mix is supplier-centric with a half-hearted effort to adjust to customers.

Several of the marketing strategies listed above involve relational issues and marketing increasingly is becoming recognised as dealing with relations in various forms rather than with mass exchange. This will be discussed in the next section.

The Core of Marketing: Relationships, Networks and Interaction

Relationship marketing, one-to-one marketing and *CRM (Customer Relationship Management)* – all with approximately the same essence but in part with different origin and emphasis – are established concepts today. Most commonly relationship marketing is defined as a variant on the theme “create long-term relationships with loyal customers”. My definition is broader and more abstract with the general purpose of trying to find the DNA of marketing by identifying their core variables. The definition is:

Relationship marketing is interaction in networks of relationships.

Relationships bring people or organizations together, temporarily or long term. From personal experience we have an intuitive understanding of what relationships are. When relationships embrace more than two people they quickly become complex *networks*; we talk about networks of relationships. What happens in relationships is *interaction* through communication and activities. Comprehensive books with somewhat different appraoches to relationship marketing and CRM include Bruhn (2002), Christopher, Payne and Ballantyne (2002), Storbacka and Lehtinen (2002), Buttle (2004), Egan (2004) and Payne (2006).

To make relationships more concrete and to emphasize their ubiquity and complexity – and in opposition to the simplistic 4Ps – I developed *the 30 relationships, the 30Rs* (Gummesson, 2002). The 30 Rs organised themselves naturally in three groups. *Market relationships* embrace relationships and their properties in the market, primarily with customers, suppliers, intermediaries and competitors. We have noted that politics, lobbying, public opinion and scientific research also influence marketing; they offer *mega relationships*. These appear above the market relationships and marketing departments, and are handled by the board of directors and top management. Among them are alliances, international relationships and the media. *Nano relationships* (nano means very small) embrace a company's inner relationships, how it is organized and how employees and departments interact. But all levels of relationships are interlinked. For example, the mega level determines certain conditions for the market and nano levels. Only considering market relationships – which is typical of most relational approaches – restricts marketing to tactics; overriding strategies, organizational structures and processes are lost.

The expression *one-to-one marketing* emphasizes that customers – people or organizations – are individuals with unique properties; there is even the expression *segment of one* (Peppers and Rogers 1993). In opposition to reminiscences of microeconomics, it is time to recognize that an individual supplier is selling to an individual customer. The reigning strategy within the 4Ps is mass marketing and standardisation. Customers are not statistics and grey masses. There is a myth about mass influence and mass distribution as cost effective at the same time as the effect on the bottom line eludes measurement. Mass marketing will always be around in symbiosis with relational approaches, but it constitutes a limited part of all marketing. While mass marketing divides customers in markets, segments and niches, relationship marketing builds communities of individuals with similar needs and behaviour..

CRM is currently the most used concept. Payne (2006, p. 4) offers the following definition:

"CRM, also recently called customer management, is a business approach that seeks to create, develop and enhance relationships with carefully targeted customers in order to improve customer value and corporate profitability and thereby maximize shareholder value. CRM is often associated with utilizing information technology to implement relationship marketing strategies. As such, CRM unites the potential of new technologies and new marketing thinking to deliver profitable, long term relationships."

CRM is only partially successful. Too many companies believe that software and technology will solve all problems and have not understood the need for a high tech/high touch balance.

So far relationships and interaction have been the focus for attention but it is now time to take the a step towards *networks*. Relationships in one-to-one and CRM are usually two-party supplier-customer relationships. But we live in complex networks which we influence and are influenced by. I therefore want to extend one-to-one to *many-to-many marketing* (Gummesson 2006). The definition is:

Many-to-many marketing describes, analyzes and exploits the network properties of marketing.

The approach offered by many-to-many marketing and general network theory is equally applicable to all kinds of marketing situations. Here is a case of a B2B network organized by local hotels (von Friedrichs Grängsjö and Gummesson 2005):

> In the beginning of the 1990s the hotel sector in Sweden suffered a reduction in room reservations. The hotels in the town of Östersund were hit hard and the managers of two of the largest hotels decided to start a local hotel network, the Hotel Group. There were 12 hotels and 2 guesthouses in Östersund varying in size from 7 to 177 rooms, all but one being privately owned, and 7 belonging to chains. All the hotels in town joined the Hotel Group. In addition, the Tourist and Congress Office, operated by the local government, became member of the group. The network has been successful in balancing the interests of its members to jointly market their town as a destination, but at the same time keeping individual freedom to compete for guests. The members agree that three basic principles are vital for the network: show enthusiasm, give time and participate actively, and contribute to financing. The outcome was increased reservations of available rooms from 48% in 1996 to 57% in 2002, considerably more than in the rest of Sweden. The Hotel Group was awarded the local prize "Businessman of the Year" for attracting visitors to the benefit of not only the hotels but all local business.

The case shows how important relationships with competitors could be. Although competition is still the mantra of market economists, competition and cooperation have a yin and yang relationship – one cannot survive without the other. Like the hotels, companies in general can choose to compete on certain issues and cooperate on others. There is an optimum which is to the advantage of each company as well as to customers and society,

Despite its significance, network is a rare word in general marketing management textbooks, most of them founded on a consumer goods paradigm. There may be a word trap here; perhaps networks are hidden behind other terms and concepts. In books on consumer behaviour, consumers are analyzed in the context of opinion leaders, reference groups and word-of-mouth. Consumers relate to family and friends, and to social, cultural, political, religious and ethnic belonging. They buy from many suppliers and live in a network of suppliers and others. They assume many roles, among them those of buyer, payer and user. So B2C/C2B networks exist but in the traditional literature they are rarely analyzed through the many-to-many eye-glasses using network theory.

Customer, Dyadic or Network Centricity?

The topic for the final sections concerns the viability of the marketing concept and customer-centricity. Does marketing need a new and more realistic credo? I will start with the traditional value chain and proceed with lean production and lean consumption to end up with the network approach and many-to-many marketing.

The Value Chain

Porter's (1985) value chain is unabashedly supplier-centric. It starts with inbound logistics (material), proceeds with operations (manufacturing and assembly) and outbound logistics (marketing and sales), and ends with service (spare parts with surrounding activities). The process is supported by the company infrastructure, human resource management, technology development, and procurement.

The chain imposes several restrictions on marketing. It is limited to goods and manufacturing; value-added becomes a euphemism for cost-added; and its stages are sequential, while to produce a desired outcome an iterative mode is required. But most important: by ceasing when the customer enters, supplier operations become separated from the consumption context.

In the supplier value chain, a car is a manufactured product with fairly objective properties. For the customer the car is an individually managed and subjectively interpreted phenomenon. The supplier chain is designed for standardized mass manufacturing, while the customer value process is characterized by individual flexibility with its shape and content varying from one moment to another.

The Lean Solution

Lean production has much in common with the value chain. It goes far back, but was especially brought to the fore in the car industry in the 1970s and 1980s. The Japanese had boosted productivity and quality and took the global lead in car design and manufacturing. Lean production is commonsensical and basic: Do not waste anything be it money, material, worker's time, or storage space, and apply hands-on strategies such as continuing improvements, do it right the first time, and management commitment! What makes Toyota – the exemplar of lean production – continually successful is "the brilliant focus on core processes" (Womack and Jones 2005a, p.1).

Lean production pioneers have begun to inquire about what happens at the customer end. One service to customers is respect. For example, customer time is not free although it may seem so as customers are not on the payroll. Letting customers queue up at airports or on the telephone to speak to a computer supplier's help desk is rarely necessary; still it is standard procedure. The supplier process may have become lean, but how about *lean consumption*? And do the two processes provide a joint *lean solution*? Traditional service industries, such as the super-performing British retailer Tesco, are successfully trying the lean idea.

The new knowledge has emerged out of inductive empirical research and a trial and error process. From that the following lean consumption principles have been derived (Womack and Jones 2005b, p. 61):

1. Solve the customer's problem completely by ensuring that all the goods and services work, and work together.
2. Don't waste the customers time.
3. Provide exactly *what* the customer wants.
4. Provide what's wanted exactly *where* it's wanted.
5. Provide what's wanted where it's wanted exactly *when* it's wanted.
6. Continually aggregate solutions to reduce the customers time and hassle.

Lean production worked because it was grounded in reality. So is lean consumption, and it fits the service-dominant logic and the customer's role as co-creator. That the lean solution is far from implemented today became blatant in a study of car repair. Womack and Jones (2005a, pp. 43-45) found that for a service provider to repair a specific customer's car, 220 minutes were spent of which only 35 minutes represented value-creating time (16%). Parallel to that the customer had to spend 210 minutes, 58 being value-creating (28%).

The lean solution implies that we question the realism of the marketing concept and customer-orientation. We cannot discard product-centricity because it is a reality that creates value propositions, and new technology without any obvious links to customer needs and wants will continue to capture the minds of entrepreneurs. Confining suppliers and customers to separate research traditions such as operations management and consumer behaviour, deprives them of their interdependent context.

We may, however, not stop here but aim for a broader view as is spelled out in the next and final section.

Networks, Many-to-Many Marketing and Balanced Centricity

Value-creation takes place in a network of activities involving not just two but multiple stakeholders. Among these are intermediaries, employees, shareholders, the media, citizens, and society. Not only consumers should be good citizens but so should corporations. Today's wide-spread dogma that businesses are free-wheeling entities that can do anything to maximize shareholder value as along as they can get away with it does not add value in this stakeholder context.

This means that the degree of complexity of marketing theory increases. But reality *is* complex and we can't just pretend it is not if we want to develop marketing scientifically. Here network theory comes in handy. A network consists of nodes and relationships within which interaction takes place. It can accommodate movement in any direction; it allows iterations back and forth; it can change into any number of shapes; it is scale-free; it defines structure but also process and change. Its nodes can include people, organizations, machines, events, or activities. We can choose to focus on any of its parts without losing sight of the systemic context. A network can support a strict mode of operation which is cost-effective in mass production, but it can equally well be flexible to a customer's individual value-creation. I have found no theoretical and methodological alternative that can match network theory.

In adopting a network perspective we leave the one-party orientation and the two-party balance to arrive at a multi-party balance as the basis for marketing. By naming my effort to develop general, network-based marketing theory many-to-many marketing, the emphasis is put on interaction between multiple parties.

Contrary to the recommendation by Shah et al. (2006) that customer centricity can be implemented by the application of smarter strategies, my contention is that *customer centricity as the prime target for business is non-implementable and not fit to form the foundational credo of marketing*. Satisfied customers are not the only drivers of success. A balance of interests can only be actualised in a context of many stakeholders. We move to *balanced centricity*. It means that in long term relationships and a well-functioning marketplace all stakeholders have the right to satisfaction of needs and wants.

I am perhaps talking about the best of all worlds, a Utopia, but why not? Even if we never quite get there, moving in its direction seems to be the best of all strategies. Arming marketing with network theory, the service-dominant logic and the lean solution opens up for a possible breakthrough.

Summary

This has been an account of my travels and adventures in Marketingland. As the reader has probably noticed, the terminology and the logic are not yet sufficiently consistent and complete. However, the lookouts that we camped at during the journey offered fascinating sights waiting to be converted to insights and adapted to unique marketing situations, be it B2B or B2C/C2B.

During the journey we have encountered these issues:

- *Goods, services* and *the service sector* are ill-defined categories. The definitions become fuzzy for the very reason that they represent fuzzy phenomena. This has to be accepted as a springboard for creative and scholarly work, and the mock images of economic reality have to be weeded out. When the terms goods and services are used in this article they represent *perspectives*. The focus can be on either the *things* or *activities* aspect.

- In alignment with *the service-dominant logic*, the term *service* is used as synonymous with *value*. A supplier has a *value proposition* but *value actualisation* takes place during the customer's usage and consumption process. Suppliers and customers are *co-creators of value*.
- The *IHIPs* – intangibility, heterogeneity, inseparability and perishability – can be applied very well among a multitude of other properties to characterise a value proposition. They may help to identify specific marketing situations, but they do not separate services from goods.
- What is labelled *general marketing management* is both pseudo-general and pseudo-specific. Marketing is stuck in the middle. It is neither concrete enough to embrace the multiple details of real-world marketing situations, nor abstract enough to furnish theories that help uncovering the components of *the marketing genome* and a future *grand theory.*
- What we have learnt about interaction in the service encounter has been extended and becomes applicable to all marketing situations. *Relationships, networks* and *interaction* have been proposed at the top level of marketing with the *4Ps* and *the marketing mix* demoted to the next level. The marketing mix is *supplier-centric* and manipulative first, and *customer-centric* second. It still has its mission as a set of strategies for the supplier to act.
- With quickly expanding *technology*, especially *IT*, and the prevailing idea that high tech and integrated systems are more productive than people, attention to the *high tech/high touch balance* becomes progressively critical. Our fascination for high tech must not obscure the fact that our lives are dominated by human and social behaviour – and low tech. On the "touch" side, marketing increasingly honours experiences, events, storytelling and brands as value propositions.
- The understanding of the customer's active involvement in value-creation is growing. Services marketing, the service-dominant logic, relational approaches to B2B marketing, developments on the Internet, and increased understanding of C2C interaction all provide heavyweight empirical and conceptual evidence for *re-casting supplier and customer roles*.
- Marketing is the *revenue-generating function* of a firm. It is easily forgotten by practicing marketers and marketing theorist alike that the ultimate test of success is a profit level that allows a firm to prosper in the long run. Therefore, marketing needs not only to focus on revenue but also on *cost* and *capital*. In this process, *quality*, or value as perceived by the customer, *productivity* and *profitability* become triplets. All this is reflected in the current boom in *marketing metrics*.
- *Complexity* must be recognised in marketing theory and research methodology. *Network theory* offers the most constructive attitude and manageable techniques for approaching complexity. *Many-to-many* is a concept for merging network theory and marketing reality.
- The traditional *value chain* is blatantly supplier-centric. The developments of *lean solutions*, encompassing *lean production* and its extension into *lean consumption,* offer a balance between supplier and customer interests.

- The marketing concept and customer-orientation form a recurrent theme in the text. I have concluded that customer-centricity has not been well implemented simply because it is not implementable. A more realistic alternative is to leave *one-party centricity* – either *supplier-centricity* or *customer-centricity* – in favour of *two-party centricity* (supplier-customer win-win relationships), and eventually strive for *balanced centricity*, a stakeholder and network approach where the interests of multiple parties are mediated.
- Marketing as an academic discipline should provide *general strategies*. The *specific configuration of strategies* has to be adapted to each unique situation. Sometimes a marketing situation is ”uniquely unique” and sometimes marginally unique, but it is not differences between goods and services that determine the uniqueness.
- Although we have not yet got it conceptually and consistently together I am prepared to say that *a paradigm shift* is taking place in marketing that needs to be reflected in research priorities, textbooks and education at a faster pace than today. *Time to market* is too long drawn out.

Epilogue

In writing this article I recurrently found myself thriving on a process of tacit knowing. The outcome, tacit knowledge, can only be communicated and understood through first hand experience and intuition. I have tried hard to find words and structures and offer something more coherent and elegant, even new theory. Our explicit knowledge is not adequate and the tacit touch is needed to make the marketing bumble-bee fly.

The process of transforming services marketing into general marketing with service/value in focus rather than goods/services, and balanced centricity rather than customer-centricity, reminds me of Paulo Coelho’s bestselling novel *The Alchemist* (1995). Just like the alchemist, the marketer tries to make gold. The book is about a shepherd who set out on a strenuous journey to find a master alchemist with genuine knowledge. He learnt that the real gold of life was not the metal as such; gold represented value. The answer lay on his doorstep, but he needed the many aggravating experiences from the journey to see the obvious. And above all he had learnt that you must listen to your heart, read the signs, and follow your dreams.

Perhaps we need all the detours of marketing models to find the genome of marketing. We have not arrived yet but if we listen to our hearts, read the signs, and follow our dreams rather than get stuck on received theories and methodological rituals, we may succeed to advance marketing.

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