

Adopting a service logic for marketing

Christian Grönroos

Hanken Swedish School of Economics, Finland

Abstract. *Following the article by Vargo and Lusch (2004) the use of a service-dominant logic has become an international topic for discussion. In the present article, following the research tradition of the Nordic School the contribution of service marketing to marketing at large is discussed. In this article a service logic is compared to a goods logic. It is concluded that a service logic fits best the context of most goods producing businesses today. These conclusions are similar to those proposed by Vargo and Lusch (2004). However, there are differences as well, as the approach of the Nordic School is to study services directly in their marketing context and report on how changing marketing contexts influence the logic required for effective marketing.* **Key Words** Service logic □ service marketing □ service logic in marketing □ marketing theory

Introduction

Although there are some earlier service marketing publications, the development of service-oriented concepts and models started in the 1970s. However, it was Lynn Shostack's (1977) article in the *Journal of Marketing* that really promoted service marketing as an interesting and acceptable field of research, albeit one that has since developed separately from mainstream goods-based marketing. Likewise, the *Journal of Marketing* article by Stephen Vargo and Robert Lusch (2004) discussing a new service-dominant logic (S-D logic) for marketing has fuelled a truly international discussion about the potential of a service logic to change the mainstream, goods-based logic. The authors conclude that "perhaps the central implication of a service-centered dominant logic is the general change in perspective" (Vargo and Lusch, 2004:12). However, between the years 1977 and 2004 there is an abundance of research in service marketing and relationship marketing where service-based concepts and models have been developed, and in quite a few cases, the potential for a service logic to impact mainstream marketing has been discussed.

In Europe, two internationally recognised schools of service marketing research started to develop in the early 1970s (Berry and Parasuraman, 1993), one based in the Nordic countries (see Grönroos and Gummesson, 1985) and the other in France (Eiglier and Langeard, 1976; Langeard and Eiglier, 1987). Both these schools of thought took the standpoint that a new marketing perspective was needed. For

example, Grönroos (1978, 1982) and Gummesson (1979, 1991), representing the Nordic School, argued that marketing must not remain a business function on its own and be the responsibility of a marketing department. They also demonstrated that customer preferences were influenced by a number of resources and interactions – employees as well as physical resources and systems – outside the scope and responsibility of a marketing department. Customers were also found to be a “resource” participating as co-producers in the service production process (Grönroos, 1978; Gummesson, 1979; Lehtinen, 1983; Eiglier and Langeard, 1976). Moreover, as an extension of this view of the customer as participant in the service process, Grönroos noted that “*the consumers are actively taking part in shaping the service offering, i.e., in product development. ... The consumer himself can be considered part of the service he buys and consumes*” (Grönroos, 1978: 596; emphasis in original) and “*the consumer influence on the service offering is twofold. The consumer himself takes part in the production process and, consequently, has an impact on what he gets in return. On the other hand, the other customers simultaneously buying or consuming a service also influence the service offering*” (Grönroos, 1982:38-39).

To understand the development of the Nordic School view of service marketing it is also important that one keeps in mind another factor. Contrary to a mainstream approach to service marketing research, where the starting point was existing, goods-based marketing models, the researchers took the *phenomenon* of service in its marketing context as a starting point, and asked themselves, “How should marketing look like to fit this phenomenon?”. In this way existing marketing models that had been developed based on a different logic did not become a straitjacket for the development of service marketing.

The *purpose* of this article, mainly drawing on the Nordic School research tradition, is to discuss marketing based on a *service logic* and to analyse if and how this perspective fits the marketing of goods as well. Although there are some differences between the Nordic School perspective and the service-dominant logic of Vargo and Lusch (2004), there are many features in common. According to the Nordic School view, because the customer contacts of goods marketers include more and more service elements, a marketing orientation based on the logic of service as has been developed over the past three decades, may also fit the marketing of goods. A point of difference is that with Vargo and Lusch (2004), goods are seen as transmitters of service, as distribution mechanisms for customers achieving value-in-use. Mostly the difference stems from the fact that the Nordic School view is based on studies of services in their marketing context, whereas the service-dominant logic as presented by Vargo and Lusch is derived from an analysis of the service concept based on an extensive analysis of how this concept has been side-lined in classic economic theory (Vargo and Lusch, 2004: 6-8; also Vargo and Morgan, 2005).

Penetrating the black box of consumption

Within the research tradition of the Nordic School of service marketing it was early established that the only aspect of services that clearly distinguishes them from physical goods is their *process* nature. Services emerge in “open” processes where the customers participate as co-producers and hence can be directly influenced by the progress of these processes. Traditionally physical goods are produced in “closed” production processes where the customer only perceives the goods as outcomes of the process.

Traditional goods-based marketing models do not provide the marketer with any means of entering the consumption process in an interactive way. Only the good as the product variable in the marketing mix is perceived by the customer, perhaps supported by some information provided by marketing communication. However, the goods are not interactive and the marketer does not know what the customer is doing with the goods. Therefore, consumption is a *black box* for the goods marketer.

Given the processual nature of services, it follows that the consumption and production of services are at least partly simultaneous processes, and that the service provider at least partly enters the consumption sphere. The production of services is an “open system” for the consumer, but likewise the consumption of services is an open system for the service provider (see for example, Grönroos, 1978; Gummesson 1979; Lehtinen, 1983). According to goods marketing models the goods are delivered to customers but the consumption of goods is a “closed system” for the firm and the process of consuming goods is treated as a black box. These two characteristics of services – their process nature and the fact that customers consume the service while it is produced and hence are involved in the service production process – have had a profound impact on the concepts and models of service marketing that have been developed by Nordic School researchers. Although some of the four characteristics of services invariably listed in service marketing publications (see Fisk, Brown and Bitner, 1993) – intangibility, heterogeneity, inseparability, perishability – sometimes are mentioned, they have never been emphasised very much (see also the criticism of them in Lovelock and Gummesson, 2005).

The process nature and observation that customers at the same time are both co-producers and consumers of a service made Nordic School researchers focus on the role and effects of the consumption process on marketing. The most important contribution to marketing by service marketing research is that the black box of consumption in goods-based marketing models was penetrated and explored (Grönroos, 2006). Previous marketing models that revolve around the marketing mix metaphor and the view of marketing as one separate function have been geared towards pushing products, goods or services, albeit in the best case as suggested by the marketing concept, based on what customers in specific target groups really are looking for.

As *exchange* has been viewed as the subject matter of marketing research (Bagozzi, 1975) and facilitating exchange has been considered the objective of marketing, mainstream models have become focused on transactions and on creating and facilitating transactions. In other words, marketing had been preoccupied with persuading customers to buy, i.e., to engage in transactions, and mainstream marketing is still preoccupied with that. What happens after the purchase during the consumption process has been outside the scope of marketing. Hence, to use a *promise* metaphor (Calonius, 1986), goods-based marketing models have been and still are geared towards making promises, whereas the fulfilment of the expectations created by these promises by means other than a pre-produced product is essentially outside the scope of marketing and the realm of the firm's marketers.

Service marketing research changed all this. Already in the 1970s in the Nordic School research, a marketing approach geared toward facilitating *interactions* with customers during their consumption process rather than the exchange itself was developed (Gummesson, 1979 and Grönroos, 1978). In France the foundations for incorporating consumption within the scope of services marketing were laid. This was the system-model labelled *servuction* (Eiglier and Langeard, 1976; Langeard and Eiglier, 1987). Also in North America there was interest in “selling” jobs to

employees (Sasser and Arbeit, 1976) and in *internal marketing* (Berry, 1981). As well, there was interest in incorporating additional service-oriented ingredients into an augmented marketing mix for services (Booms and Bitner, 1982), and the observation made that without being integrated with human resource management and operations, marketing in service organisations cannot be successfully implemented (see for example, Lovelock, 1984). All these demonstrate a desire to make the management of the consumption process part of service marketing.

However, the established view of marketing as a separate function and the use of the marketer-as-a-mixer-of-ingredients metaphor (Culliton, 1948; Borden, 1964) really do not make it possible to enjoin in marketing activities those people and activities from functions other than the marketing function. This, in turn, has restricted the development of service marketing and made it difficult to incorporate these observations in an integrated service marketing body of knowledge.

The Nordic School research took another approach. Because services were seen as a phenomenon in the marketing context, no existing marketing perspectives, models and concepts were taken as the starting point for research. It became quite obvious that without including the *interactions* between the service provider and the customer during the consumption process as an integrated part of marketing, successful marketing could not be implemented and realistic marketing models could not be developed. Therefore, exchange and facilitating transactions never became a focus of research, nor a starting point for the development of marketing models. Instead facilitating interactions and the management of interactions between the firm and the customer became a more productive focal point. Much of the Nordic School research has been geared towards this view. Although at some point the consumption of a service and therefore also the production of that service has come to an end and the customer has paid money for it, it is successful management of interactions that makes this possible. A first exchange may occur, but without successful interactions, continuous exchanges will not take place. Moreover, as services are processes, rather than objects for transactional exchange, it is impossible to assess at which *point in time* an exchange would have taken place. Money can be transferred to the service provider either before the service process or after the process or continuously on a regular basis over time. However, as Ballantyne and Varey conclude (2006:228), “interactions over time are enactments of the exchange process”, and thus exchange is seen here as a higher order concept. Although one can argue theoretically that exchanges take place in services, exchange is a too fuzzy and elusive phenomenon to be used as the focal point of marketing research. As a construct, *exchange*, and *relational exchange*, points at *transactions* and draws the researcher’s and practitioner’s attention away from what is essential for service marketing, namely *process* and *interaction*. In a relationship marketing context Sheth and Parvatiyar (2000) came to a similar conclusion, namely that exchange theory perhaps should be given up.

Focus on interactions instead of exchange

A focus on interactions by Nordic School researchers has led to a new and different perspective on marketing. It was noticed that marketing is not one function but several functions: A *traditional external function*, involving typically specialist activities such as advertising, market research and direct mail, and an *interactive marketing function*, drawing on resources from functions other than the marketing specialist function. *Interactive marketing* is what takes place during the interactions when the simultaneous production and consumption occur (Grönroos, 1982). Following the observation of the importance of interactive marketing to overall

marketing success the concept of *part-time marketers* was introduced (Gummesson, 1987; 1991). During these simultaneous production and consumption processes, no representative of a separate specialist marketing function is present. In the *moments of truth* concept (Normann, 1983), successful service marketing becomes the responsibility of the part-time marketer for making customers satisfied. How well this happens is dependant on the knowledge, skills and motivation of the part-time marketers to handle interactions with customers in a marketing fashion. Bitner (1992) has shown with the *servicescape* model that much more than the impact of employees influence customer perceptions (see also, for example, the *servuction* model in Langeard and Eiglier, 1976:11; the *interactive marketing* resource model in Grönroos, 1982:36; and the *service style/consuming style* model in Lehtinen, 1983). Of course, frequently the service employees are in a pivotal position. Of all employees whose work and behaviour one way or another impacts on customers, the part-time marketers normally outnumber the marketers of the marketing department several times. Moreover, as Gummesson (1991) concludes, the marketing specialists of the marketing department are seldom at the right place at the right time with the right customer contacts.

Also, the concept of *perceived service quality*, where quality perception takes place during the consumption process, was developed and introduced to help understand the consumption of services (Grönroos, 1982:33–34, 1984; see also Edvardsson, 2005, on the role of service quality and the service experience when consuming services). Perceived service quality was picked up by researchers in North America (first and predominantly by Berry, Parasuraman and Zeithaml). The perceived service quality model was extended to the *gap model* (Parasuraman, Zeithaml and Berry, 1985; see also a comparison between the Nordic School and American approaches to service quality and for an extension of such models in Brady and Cronin, 2001), also to the *Servqual* measurement instrument (Parasuraman, Zeithaml and Berry, 1988), to *Servperf* (Cronin and Taylor, 1992; see also Liljander, 1995), and subsequently extended to include the notion of *tolerance zones* (Berry and Parasuraman, 1991; see also Strandvik, 1994).

However, it is interesting to note that service quality studies have been positioned as just that, as studies of how the quality of services is perceived. Publications where service quality and marketing are clearly integrated are exceptional (for a noteworthy exception see Christopher, Payne and Ballantyne, 1991). Even though service quality studies have been presented at marketing conferences and published in service marketing journals, studies of service quality have, if at all, only vaguely and indirectly through the *customer expectations* variable been related to marketing and to understanding the consumption process and to how to facilitate the interactions with customers as part of marketing. The reason for this is probably that the specialist marketing function alone cannot manage the perception of quality, and accordingly, the mainstream perspective of marketing is restricted to what it can functionally do. To manage service quality a customer consciousness has to permeate all business functions. An interest in customers must be extended to everyone – and every system and physical resource as well – who has a direct or indirect impact on the customers' perception of quality. One way or another, a customer focus has to be present throughout the firm and not be restricted to the marketing department. In service marketing the concept of internal marketing was developed to help firms create customer consciousness and motivation for interactive marketing throughout the organisation (Berry 1981; Grönroos, 1982:40; see also Ballantyne, 2003 for a relationship-oriented development of internal marketing, and Lings and Greenley, 2005, for a development of an internal market orientation instrument).

In conclusion, although part of service marketing research has been hampered by the mainstream marketing paradigm, research into service marketing has broken new ground for marketing. It has opened up the black box of consumption and created a marketing perspective, concepts and models that are potentially useful for understanding the marketing of products other than services. We shall return to this in a later section.

Services as activities and service as a marketing logic

Especially during the 1980s, how to define a service was discussed extensively. Yet so far, there is no common definition in the literature. Based on the Nordic School view, services can be defined as *processes that consist of a set of activities which take place in interactions between a customer and people, goods and other physical resources, systems and/or infrastructures representing the service provider and possibly involving other customers, which aim at solving customers' problems* (developed from Grönroos, 2000:46).

This and other definitions are based on *what a service is*, i.e., based on the service activity. However, as Edvardsson, Gustafsson and Roos (2005:118)) conclude, in a recent study based on the views of eleven academic experts in the service marketing field: "Service is a perspective on value creation rather than a category of market offerings". In their analysis, perspective seems to mean a way of thinking, or a "logic". Hence, another starting point for defining a service is to consider *what a service should do for the customer*, i.e. service as a marketing logic. Following the growing interest in value for customers a logical starting point for developing such a definition could be that a service should support customers in a value-generating way. Supporting customers in a value-generating way means that with the service as support provided by the firm the customers should perceive that they are better off in some way than before or as compared to the expected support of another firm. Traditionally value is viewed in the literature as embedded in a product that is exchanged, the *value-in-exchange* notion. When exchange is considered the central concept in marketing, the value for customers has inevitably to be embedded in what is exchanged, i.e., in the product itself.

According to a more recent view in the literature of how value for customers emerges, value is created when products, goods or services, are used by customers. This is the *value-in-use* notion (Woodruff and Gardial, 1996). As Vargo and Lusch (2004:6-7) show, the view that value for customers is embedded in the product seems to be due to competing logics within economic theory and misunderstandings arising when the dominating value concept from economics was transferred to management and marketing. It is of course only logical to assume that the value really emerges for customers when goods and services do something for them. Before this happens, only potential value exists. Although the expression *value-in-use* is not always used in the contemporary management and marketing literature, this notion of value creation seems likely to become the dominant view (see for example, Normann, 2001; Storbacka and Lehtinen, 2001; Grönroos, 2000; Gummesson, 2002; Ravald and Grönroos, 1996; Wikström, 1996; Vandermerwe, 1996; Woodruff and Gardial, 1996; Jüttner and Wehrli, 1994; Norman and Ramirez, 1993).

According to the value-in-use view, suppliers and service providers do not create value in their planning, designing and production processes. The customers do it themselves in their *value-generating processes*, i.e., in their daily activities when products are needed by them for them to perform activities. "*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 customers' *value-creating processes* where value emerges for customers" (Grönroos, 2000:24-25; emphasis in original). This view is echoed by Vargo and Lusch: "A service-centered dominant logic implies that value is defined by and cocreated with the consumer rather than embedded in the product" (2004:6).

Suppliers only create the resources or means required to make it possible for customers to create value for themselves. In this sense at least, when suppliers and customers interact, they are engaged in co-creation of value (compare Prahalad and Ramaswamy, 2004; Wikström, 1996). However, customers are also sole-creators of value, for example when using a shirt that recently has been washed at a laundry. Goods are resources like other physical objects such as credit cards and airline seats: the firm makes them available for money so that customers in their *own* processes will be able to use them in a way that creates value for them, as individuals, households or organisations. Such customer processes are by way of examples, cooking dinner, cleaning a house, transportation by car, producing paper, etc.

Service logic vs. goods logic

A *goods logic* means that *the firm makes goods as resources available for customers* so that they can manage their own processes in a value-generating way. The supplier firm is sole producer of these goods, whereas in adopting a value-in-use view, the customer is the sole creator of value. Consequently, goods marketing is to make customers buy goods as resources to be used in their value-generating processes, i.e., as *resources that support* customers' value generation.

Services, on the other hand, are processes where a set of company resources interact with the customers so that value is created or emerges in the customers' processes. Hence, unlike goods that are value-supporting *resources*, services are value-supporting *processes*. In the Nordic School reckoning, *service logic* means that *the firm facilitates processes that support customers' value creation*. Due to the customers' involvement in these interactive processes, firms and customers are co-producers of the service and co-creators of value. As was pointed out earlier, at some point the customer may be a sole creator of value as well. Following this service logic, *a service as an activity* can be defined as *a process where a set of resources interact with each other and with the customer aiming at supporting the customer's processes in a value-generating way*. Service marketing, therefore, is to invite customers to use the service processes by making promises about value that can be expected to be captured from the service, and to implement these processes in a way that allows customers to perceive that value is created in their processes (promise keeping through value fulfilment).

Following the Nordic School tradition to focus on consumption Korkman (2006) discusses a service logic based on the impact of services on the consumption process as a *practice*. According to *practice theory*, consumption can be understood as a practice – a person's daily activities – and as a consumer this person becomes a carrier of practices. If allowed, a service provider can join a person's practice in a supporting manner (e.g., Shove and Pantzar, 2005). Drawing on practice theory Korkman (2006) suggests that one could understand a service logic "as a way of empowering consumption as a practice" so that value emerges for the customer from that practice. According to Korkman value is not created, it *emerges* for the consumer from a well-supported practice.

According to a goods logic, goods are resources in customers' sole creation of value. However, according to a service logic and due to the firm-customer

interactions that occur, the goods components in the service process are part of the service provider's process of co-creating value with the customer. In this case goods are resources in the co-creation of value for customers. In both cases, resources other than goods are needed as well. When consuming goods, customers need at least information about how to use the goods and how to create value with them, and other goods may perhaps also be needed. For example, a piece of meat bought from the butcher is not enough to cook dinner. When services as processes are consumed, goods components in the service process have to be accompanied by other resources as well. In a restaurant, for example, the steak has to be accompanied by other ingredients as well as by waiters who take the order and serve the meal. Vargo and Lusch (2004:8-9) consider goods transmitters of service and "distribution mechanisms for service provision". However, in the Nordic School view it is not the goods alone that transmit services. Goods are seen as one type of resource alongside others, such as people, systems, infrastructures and information (see, for example, Grönroos 1982, 1996, 2006). The service is the process where these resources function together with each other and interact with the customer in his or her capacity as a consumer and as a co-producing resource. Depending on how this process functions and on its outcome, more or less value emerges for the customer. Service as a process supports customers' value creation. As a resource alongside others in this process goods *contribute* to the service that supports customers' value creation.

Goods become service-like

Traditionally, in the service literature, services have been described with goods as the defining marketing logic. For some time already it has been claimed that the differences between goods and services may not be that important. Some goods are also perceived as intangible, and modular production processes make it possible for customers, using for example cad/cam techniques, to interact with the manufacturing firm and participate in at least part of the production process. Also mass customisation is a way of bringing customers into part of the production process. Because goods for example are produced in new ways using techniques that allows customers to participate in the production process, the goods logic is under pressure to change. The goods logic and the goods-based marketing models may not provide the same dominating guidelines for goods marketing as they used to do. Instead the service logic and the service-based marketing models may provide more general guidelines.

What has happened is this. Because of the opening up of goods manufacturing systems for customers, and due to the extension of the range and content of customer contacts following a growing interest in relationship marketing (Grönroos, 1999), the number of touch-points between the producer and the customer has increased beyond the specific requirements needed to support the goods themselves. In other words, the customer interface has grown. In this process a number of new interactions between the firm and its customers have been introduced. In businesses such as consumer durables, business-to-business and even fast moving consumer goods, the content of the firm-customer contacts often includes information services, call centre advice, repair and maintenance and other service activities. The point is that gradually the customer contacts and contact points in many businesses today have grown to include more interactive content than what a goods logic would imply.

Within the Nordic School thinking, a distinguishing characteristic of services is the simultaneous production and consumption process, which includes a varying

number of interactions and different kinds of resources. Customer contacts in goods-dominant industries are certainly becoming more *service-like*, including continuing processes and interactions between the customer and the firm and its resources, and its sets of activities. To support the customers' value creation processes it is not a matter of providing a physical product only. Instead, this product becomes but one resource in a bundle of resources – other physical products, people, information, etc. – that customers interact with. “This bundle of resources, in which the goods are nothing but one resource among others, is required to support the customers' processes so that value is created in those processes” (Grönroos, 2006:362). If customer contacts for goods are becoming more like services it is questionable whether a goods logic provides a useful guideline for goods marketing anymore. This is one reason why a service logic may be more productive for traditionally goods-based businesses.

An extended consumption concept

Traditionally production is related to the process where an object is produced. This production concept emanates from a goods-oriented literature. On the other hand consumption is the process where customers consume goods, whatever the purpose. As has been discussed previously, in the service literature another view of the relation between production and consumption has emerged. According to this view production and consumption are partly simultaneously occurring processes, and hence, the customers participate in the production process and assume the role of co-producers, thereby influencing the nature of the service that is produced and consumed, and likewise the value customers create from the service experience.

If consumption is defined differently, from a value-creating point of view based on the value-in-use notion, instead of being understood as customers' usage of an object, the consumption concept widens. Instead of including only the use of the marketed product itself, consumption also encompasses all elements, physical objects such as goods, information, people-to-people encounters, encounters with systems and infrastructures and possible interactions with other customers that together have an impact on customers' value creation. This is how consumption is viewed, for example, in the Nordic School literature on service marketing and in the vast literature on service quality. However, to make the marketing consequences of this visible, consumption must no longer be viewed as a black box.

The goods logic tends to ignore the value support of the wide range of elements of the customer contacts and firm-customer interactions. Instead it connects the *core value* and sometimes all value on offer for customers with the physical product and the price paid for it alone. Because of this, marketing is geared towards creating and communicating the value for customers that goods may stand for. The service logic on the other hand is geared towards supporting the customers' processes and daily activities in such a way that value is created for the customers. Hence, following this logic, from a marketing standpoint this means that the firm does not only need resources to make promises about value for customers through, for example, product development, pricing and marketing communication. It also has to *mobilise such resources as well as such knowledge and leadership that are needed to develop, manage and implement chains of processes, interactions and outcomes which makes this value support possible*. Hence, following a service logic marketing means not only making promises about value but also facilitating value fulfilment as an integral part of marketing (compare the service marketing triangle in Grönroos, 2000:55). This has consequences for the *value proposition* concept frequently used in marketing. A value proposition should be a proposition, a suggestion, which has

to be followed up by an offering that fulfils the expectations created by this proposition or suggestion. According to Vargo and Lusch's (2004:5) discussion of a service-dominant logic, firms can *only* make value propositions. This seems, however, like a conclusion based on a goods logic, according to which the firm cannot be actively involved in the consumption process. The goods are consumed by the customer alone and they cannot be changed during consumption. Value is captured by the customer from the consumption of the physical product. However, in service consumption, co-production and co-creation of value takes place during the consumption process. Both the customer and the firm can be active. For example, part-time marketers involved in interactive marketing can and should influence the value that customers capture from the consumption of a service. Hence, suggesting or *proposing value* – making a value proposition or suggestion about the *future value* to be expected by the customer – and being actively involved in *value fulfilment* through interactive marketing efforts (keeping promises), are conceptually different aspects of value creation. Also from a marketing point of view they have to be kept apart.

The goods-oriented marketing literature is based on the idea of a marketing mix managed within a marketing function by full-time marketers, where the product variable represents more or less standardised physical goods. Through market research the products are supposed to meet the requirements of targeted customers. More than that, mainstream marketing models are not penetrating the consumption process. The research into services has brought marketing and the consumption process into the same arena. For example, the concepts of interactive marketing and part-time marketers of the Nordic School and international research into service quality have provided marketers with structures, concepts and models for understanding consumption as part of marketing models.

An important Nordic School aspect of service marketing is recognition of the widened consumption concept, where not only customers' interactions with physical objects take place, such as when goods have been bought for consumption (or tangible things offered in service processes), but the customers' perception of all elements of any sort that they interact with during the consumption and production processes are included. In this way all aspects of consumption, all content in the firm-customer interactions that has an impact on customers' perception of quality and support their value creation, can be taken into account and handled as part of marketing. These interactions make customers' co-creation of value possible and at the same time they enable active marketing efforts directly during the consumption process. This is what in the Nordic School approach is labelled interactive marketing.

Service logic as a dominant logic

In goods contexts where the customer interface includes more content than standardised goods only, such as home deliveries, installation, documentation and other types of information, call centre advice, repair and maintenance, complaints handling and correction of quality problems and service failures, invoices and invoicing systems, etc., or only one or a few of these activities, the consumption process is much more elaborate than a goods only focus would imply. Many more elements other than the goods alone impact the consumption process. How the firm handles all these elements influences the customers' value-generating processes, some of which take place during the simultaneous production and consumption process, some of which afterwards. Customer value is not created by one element alone but by the total experience of all elements.

The more content there is in the customer interface, the more complicated it probably is for the firm to manage the whole value-generating process. However, taking a value-in-use perspective the marketer has to try to carefully design and manage as many elements of the interface as possible. Some elements are more critical to the customer than others and have to be managed accordingly. Even if the goods support the customers' processes perfectly well, this potential support value may be destroyed by something being absent, or some other part of the extended consumption process not functioning in a value-supporting way. For example, late deliveries of a Christmas present bought on the Internet or a lacking corkscrew to open a bottle of good wine are such examples. Deliveries can probably be influenced directly by the marketer, whereas the existence of a corkscrew can only be managed indirectly by the seller of wine.

Hence, the marketer should not market the physical objects and goods only, but they should market them as part of overall services in the same way as, for example, restaurants use meat as part of the total restaurant service process. In other words, when the total customer interface is taken into account the goods should not be marketed solely as goods, but as services. However, when the customer contact only includes a physical product without any service support, from a marketing point of view is this a goods context or a service context? If one argues that both goods and services are used by the customer to capture value-in-use from them, it is a service context and a service logic can be used to explain consumption. (see the arguments in Vargo and Lusch, 2004:6-7). From this perspective a service-dominant logic offers a truly dominant logic for marketing. On the other hand, does a service logic always lead to more effective marketing? If the customer contact only includes a physical product and the marketer does not, and has no way to interact with the customer in any way during consumption, does a marketing approach based on service logic fit? It does: as an overall philosophy mainly based on an analysis of consumption, according to which "it is ... reasonable to consider both goods and services to be bought by consumers in order to give some service or value satisfaction" (Grönroos, 1979:59), and if customers "buy offerings (including goods or services) which render service which create value" (Gummesson, 1995:250; see also Levitt, 1974; and for an explanation from within economic theory, see Becker, 1965). However, from a marketing point of view, in situations like the one mentioned above where there are no ways for the marketer to intervene with the customer's interactions with the product, marketing models based on a traditional goods-based logic may be helpful. As Stauss (2005) points out, when moving towards a service-dominant logic, goods-based concepts and models may still be useful in some situations. It should be observed, though, that goods-based marketing models developed using a goods logic are only useful in those special cases where the customer contact is stripped from everything else other than the physical product. As this is the extreme situation, a residual, not the norm, goods marketing can be considered a special case of marketing, where service marketing is the norm.

Conclusions

When taking a widened view of the consumptions process, and bringing marketing and consumption into the same arena and viewing them from a value creation perspective, one can see how customers in many varied contexts other than what traditionally are considered service interfaces in reality are involved in service-like processes. Service-based marketing concepts and models fit such situations better than using models based on a goods logic. This conclusion is similar to the one communicated by the service-dominant logic presented by Vargo and Lusch (2004).

However, according to the Nordic School view, goods do not render services as such, and customers do not consume goods as services. Instead goods are one of several types of resources functioning in a service-like process, and it is this *process* that is the service that customers consume. A customer does not consume a drill as a service, but the process of using the drill together with, for example, information about the drill and knowledge about drilling in order to make a hole in the wall. This process is the service. The drill is not a transmitter of service, rather it is one resource needed to make a service process possible.

In addition to what normally is treated as services, at least 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. If elements are added to the customer interface of fast moving consumer goods, such as call centre advice, websites with suggestions about how to use goods and frequently asked questions, etc., these customer interfaces, too are becoming more service-like. When enough additional elements are included, a service logic provides better guidelines for how to market a physical product than a goods logic does.

Because part-time marketers who are not part of a marketing specialist function and activities and processes performed by other functions influence customers' value creation, marketing as a separate functional approach does not make sense anymore (Grönroos, 1982; 1999). Although marketing is the only or dominant focus of full-time marketers, the part-time marketers' focus on the customer is not the only area of importance to them. We must not draw the conclusion from this that marketing is more important than other business functions. Finance, human resource management, manufacturing and operations, accounting, technology and goods and service development, etc. are equally important to the success of a firm. However, the focus on customers is not less important than the others.

The arguments put forward in this article demonstrate that a service marketing context and a service logic rather than a goods marketing context and a goods logic are the norm and not a special case. When the customer interface is stripped of most of its content and simplified to include a physical product only, goods marketing and applying a goods logic in marketing may very well work. However, this is a special case, with service-based marketing as the norm, which might occur when the context of the customer interface has become limited enough to warrant the use of a goods logic and goods-based marketing models. In a competitive situation it may be important for the firm to find ways of extending the customer contacts and thus moving into a marketing context where a service logic applies.

However, when developing and applying models based on a service logic it is important to remember that one must not neglect the power of concepts developed as part of goods-based models. For example, pricing and marketing communication using various types of media as well as segmentation and targeting are, of course, still important marketing variables. And the other way round, when applied in goods contexts the power of service marketing concepts and models must not be diluted (see Stauss, 2005).

References

- Ballantyne, David (2003) 'A Relationship-Mediated Theory of Internal Marketing', *European Journal of Marketing* 37(9):1242-1260.

- Ballantyne, D. and Varey, R.J. (2006) 'Introducing a Dialogical Orientation to the Service-Dominant Logic of Marketing', in Lusch, R.F. and Vargo, S.L. (eds.) *The Service-Dominant Logic of Marketing: Dialog, Debate, and Directions*, pp. 224-235. Armonk, NY: M.E. Sharpe.
- Bagozzi, R.P. (1975) 'Marketing as Exchange', *Journal of Marketing* 39 (October):32-39.
- Becker, Gary S. (1965) 'A Theory of Allocation of Time', *The Economic Journal*, 75, 299 (September): 493-517.
- Berry, L.L. (1981) 'The Employee as Customer', *Journal of Retailing* 3 (March):33-40.
- Berry, L.L. and Parasuraman, A. (1991) *Marketing Services: Competing through Quality*. New York: The Free Press.
- Berry, L.L. and Parasuraman, A. (1993) 'Building a New Academic Field – The Case of Service Marketing', *Journal of Retailing*, 69(1):13-60.
- Bitner, M.J. (1992) 'Servicescapes: The Impact of Physical Surroundings on Customers and Employees', *Journal of Marketing* 56 (April):57-71.
- Borden, N.H. (1964) 'The Concept of The Marketing Mix', *Journal of Advertising Research*, 4 (June): 2-7.
- Brady, M.K. and Cronin, Jr., J.J. (2001) 'Some Thoughts on Conceptualizing Perceived Service Quality: A Hierarchical Approach', *Journal of Marketing* 65 (July):34-49.
- Calonius, H. (1986) 'A Market Behaviour Framework', in K. Möller and M. Paltschik (eds.) *Contemporary Research in Marketing*. Proceedings from the XV Annual Conference of the European Marketing Academy, pp. 515-524. Helsinki: Helsinki School of Economics and Hanken Swedish School of Economics, Finland,
- Christopher, M., Payne, A. and Ballantyne, D. (1991) *Relationship Marketing: Bringing Quality, Customer Service and Marketing Together*. Oxford: Butterworth Heinemann.
- Cronin, Jr., J. J. and Taylor, S.A. (1992) 'Measuring Service Quality: A Re-Examination and Extension', *Journal of Marketing* 56 (July):55-68.
- Culliton, J. (1948) *The Management of Marketing Costs*. Boston, MA: Graduate School of Business Administration, Research Division, Harvard University.
- Edvardsson, B. (2005) 'Service Quality: Beyond Cognitive Assessment', *Managing Service Quality* (15)2:127-131.
- Edvardsson, B., Gustafsson, A. and Roos, I. (2005) 'Service Portraits in Service Research: A Critical Review', *International Journal of Service Industry Management* 16(1):107-121.
- Eiglier, P. & Langeard, E. (1976) 'Principe de Politique Marketing Pour les Entreprises de Service', working paper of the *Institute d'Administration des Entreprises Université d'Aix-Marseille*.
- Fisk, R.P., Brown, S.W. and Bitner, M.J. (1993) 'Tracking the Evolution of the Services Marketing Literature', *Journal of Retailing* 69 (Spring):61-103.
- Grönroos, C. (1978) 'A Service-Oriented Approach to Marketing of Services', *European Journal of Marketing* 12(8):588-601.

- Grönroos, C. (1982) 'An Applied Service Marketing Theory', *European Journal of Marketing* 16(7):30-41.
- Grönroos, C. (1984) 'A Service Quality Model and its Marketing Implications', *European Journal of Marketing* 18(4):36-44.
- Grönroos, C. (1996) 'Relationship Marketing Logic', *The Asia-Australia Marketing Journal*. 4 (1):7-18.
- Grönroos, C. (1999) 'Relationship Marketing: Challenges for the Organization', *Journal of Business Research* 46(3):327-335.
- Grönroos, C. (2000) *Service Management and Marketing: A Customer Relationship Approach*. Chichester: John Wiley.
- Grönroos, C. (2006) 'What Can a Service Logic Offer Marketing Theory?' in Lusch, R.F. and Vargo, S.L. (eds.) *The Service-Dominant Logic of Marketing: Dialog, Debate, and Directions*, pp. 354-364. Armonk, NY: M.E. Sharpe.
- Grönroos, C. and Gummesson, E. (1985) 'The Nordic School of Services - An Introduction', in C. Grönroos, C. and Gummesson, E. (eds.) *Service Marketing - Nordic School Perspectives*, Series R2, pp. 6-11. Stockholm: University of Stockholm.
- Gummesson, E. (1979) 'The Marketing of Professional Services – An Organizational Dilemma', *European Journal of Marketing* 13(5):308-318.
- Gummesson, E. (1987) 'The New Marketing – Developing Long-Term Interactive Relationships', *Long Range Planning* 20(4):10-20.
- Gummesson, E. (1991) 'Marketing Revisited: The Crucial Role of the Part-Time Marketer', *European Journal of Marketing* 25(2):60-67.
- Gummesson, E. (1995) 'Relationship Marketing: Its Role in the Service Economy', in W.J. Glynn and J.G. Barnes (eds.) *Understanding Services Management*, pp. 244-268. New York: Wiley.
- Gummesson, E. (2002) 'Relationship Marketing and the New Economy: It's Time for Deprogramming', *Journal of Services Marketing* 16(7):585-589.
- Jüttner, U. and Wehrli, H.P. (1994) 'Relationship Marketing from a Value Perspective', *International Journal of Service Industry Management*, 5(5):54-73.
- Korkman, O. (2006) *Customer Value Formation in Practice: A Practice-Theoretical Approach*. Report A155. Helsinki: Hanken Swedish School of Economics Finland.
- Langeard, E. and Eiglier, P. (1987) *Servuction: Le Marketing des Services*. Paris: Wiley.
- Lehtinen, J.R. (1983) *Asiakasohjautuva Palveluyritys (In Finnish: The Customer-Oriented Service Firm)*. Espoo, Finland: Weilin+Göös.
- Levitt, T. (1974) *Marketing for Business Growth*. New York: McGraw-Hill.
- Liljander, V. (1995) *Comparison Standards in Perceived Service Quality*. Report A62. Helsinki: Hanken Swedish School of Economics Finland.
- Lings, I.N. and Greenley, G.E. (2005) 'Measuring Internal Market Orientation', *Journal of Service Research* 7(3):290-305.
- Lovelock, C.H. (1984) *Services Marketing*. Englewood Cliffs, NJ: Prentice-Hall.

- Lovelock, C.H. and Gummesson, E. (2004) 'Whither Service Marketing? In Search of a New Paradigm and Fresh Perspectives', *Journal of Service Research* 7(1):20-41.
- Normann, R. (1983) *Service Management*. New York: Wiley.
- Normann, R. (2001) *Reframing Business: When the Map Changes the Landscape*. Chichester: Wiley.
- Normann, R. and Ramirez, R. (1993) 'From Value Chain to Value Constellation: Designing Interactive Strategy', *Harvard Business Review* 71 (July-August):65-77.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985) 'A Conceptual Model of Service Quality and its Implications for Future Research', *Journal of Marketing* 49 (Fall):41-50.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1988) 'SERVQUAL: A Multi-Item Scale for Measuring Consumer Perceptions of Service Quality', *Journal of Retailing* 64(1):12-40.
- Prahalad, C.K. and Ramaswamy, V. (2004) *The Future of Competition: Co-Creating Unique Value with Customers*. Boston, MA: Harvard Business School Press.
- Ravald, A. and Grönroos, C. (1996) 'The Value Concept and Relationship Marketing', *European Journal of Marketing* 30(2):19-30.
- Sasser, W. E. and Arbeit, S.P. (1976) 'Selling Jobs in the Service Sector', *Business Horizons*, 19 (June):61-65.
- Sheth, J.N. and Parvatiyar, A. (2000) 'Relationship Marketing In Consumer Markets: Antecedents and Consequences', in Sheth, J.N. and Parvatiyar, A. (eds.) *Handbook of Relationship Marketing*, pp. 171-208. Thousand Oaks, CA: Sage.
- Shostack, G.L. (1977) 'Breaking Free from Product Marketing', *Journal of Marketing* 41 (April):73-80.
- Shove, E. and Pantzar, M. (2005) 'Consumers, Producers and Practices: Understanding the Invention and Reinvention of Nordic Walking', *Journal of Consumer Culture* 5(1):43-64.
- Stauss, B. (2005) 'A Pyrrhic Victory: The Implication of an Unlimited Broadening of the Concept of Service', *Managing Service Quality* 15(3):219-229.
- Storbacka, K. and Lehtinen, J.R. (2001) *Customer Relationship Management*. Singapore: McGraw-Hill.
- Strandvik, T. (1994) *Tolerance Zones and Perceived Service Quality*. Report A58. Helsinki: Hanken Swedish School of Economics Finland.
- Vandermerwe, S. (1996) 'Becoming a Customer "Owning" Company', *Long Range Planning* 29(6):770-782.
- Vargo, S.L. and Lusch, R.F. (2004) 'Evolving To a New Dominant Logic for Marketing', *Journal of Marketing* 68 (January):1-17.
- Vargo, S.L. and Morgan, F.W. (2005) 'Services in Society and Academic Thought: An Historical Analysis', *Journal of Macromarketing* 25(1):42-53.
- Wikström, S. (1996) 'Value Creation by Company-Consumer Interaction', *Journal of Marketing Management* 12: 359-374.
- Woodruff, R.B. and Gardial, S. (1996) *Know your Customers – New Approaches to Understanding Customer Value and Satisfaction*. Oxford: Blackwell.

Christian Grönroos is professor of service and relationship marketing, and chairman and executive director of CERS Centre for Relationship Marketing and Service Management, at Hanken Swedish School of Economics, Finland. He is also visiting professor of service management at Lund University, Helsingborg, Sweden. Address: Hanken Swedish School of Economics, Finland, P.O.B. 479, Helsinki 00101, Finland. Phone: +358-9-431 331. Fax: +358-9-4313 3287.
[E-mail: christian.gronroos@hanken.fi]