
1 Service marketing research: emerging directions

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INTRODUCTION

Prior work has advanced our thinking of how the increasingly technological world has altered service marketing, as well as the whole field of marketing (Oliver et al. 1998; Rust and Huang 2011, 2013; Rust et al. 2004, 2010; Sun 2006; Vargo and Lusch 2004). Perhaps the best way to discern the current direction of change in a discipline is to assemble an all-star team of thought leaders and see what they are thinking about now. That is exactly what we have done for this book. The most brilliant people in service research from all over the world, both from academia and business, have contributed their latest thinking. We made little attempt to shape their agenda, other than hand-selecting them as forward thinkers, and we encouraged them to pursue the topics they thought were most important. The result is that this volume looks forward as much as it looks back. The reader cannot help but come away with a transformed and enlightened viewpoint about the field.

CUSTOMER-CENTRICITY

A hallmark of service marketing is its focus on the customer. Following the introductory part, the second, third and fourth parts of the book explore this. The second part of the book, “Customer Relationships and Loyalty,” investigates the most central issue in service marketing—managing and maintaining ongoing customer relationships. The Bolton and Christopher chapter, “Building long-term relationships between service organizations and customers,” provides an excellent overview of this issue. The first author, Ruth Bolton, has an extensive background in business as well as academia, and is able to bring together both managerial relevance and academic rigor. To build a successful customer relationship it is essential to cultivate a loyal customer. The chapter “Loyalty: its many sources and variations” by Aksoy, Keiningham and Oliver explores the nature of loyalty, again drawing from both business experience (Keiningham) and

academic theory (Aksoy and Oliver). Keiningham is arguably the leading business practitioner in the loyalty field, and Oliver is arguably the leading academic theorist in customer satisfaction and loyalty. This theoretical and conceptual piece is followed by an empirical piece by Dagger and Danaher, "A comparison of relationship marketing models," that applies necessary empirical rigor to test alternative customer relationship conceptualizations. Following that chapter is another chapter by Oliver, "Loyalty: its biogenic, psychological, and social origins – answering the question of 'Why Y?'," which delves into the underlying causes of loyalty. Finally, there is a chapter by Beckers, Risselada and Verhoef, "Customer engagement: a new frontier in customer value management," providing new insights and conceptualization into the nature of customer relationships, following seminal work by Brodie (Brodie et al. 2011) and others.

The other key aspect of customer-centricity, from a managerial standpoint, is the topic of the third part of the book, "Customer-centered Metrics." Skiera and Schulze, in their controversial but persuasive chapter, "Customer-based valuation: similarities and differences to traditional discounted cash flow models," show how customer equity is related to the value of the firm, and therefore how customer equity can be used to value companies. This provides a customer-centered alternative to existing company valuation methods that they show performs better than traditional methods. The next chapter, "CRM metrics and strategies to enhance performance in service industries," by Kumar, Umashankar and Choi, overviews methods for building metrics for measuring the success of customer relationship management (CRM). The chapter summarizes Kumar and his colleagues' extensive research stream in the area, as well as bringing in the relevant work of other researchers in the area. The next chapter results from an academic-practitioner partnership involving Keiningham and others from IPSOS Loyalty along with academic co-authors Aksoy and Larivière. They show convincingly that relative metrics (relative to competitors) are essential. The part concludes with a chapter by Frennea, Mittal and Westbrook on "The satisfaction profit chain," building on the service profit chain (Heskett et al. 1994) and return on quality (Rust et al. 1994, 1995) efforts to construct chains of effect for customer satisfaction.

The fourth and final part of the book related to customer-centricity is the "Managing Customer Contacts" part, which seeks to explore the human contact between customers and employees. The part starts with a chapter by Bitner (one of the pioneers in studying customer contacts) and Wang, "Service encounters in service marketing research." The chapter comes from academics, but with a solid understanding and experience with the managerial environment. The next chapter, by Streukens

and Andreassen, focuses on the employee side of customer contact. The chapter entitled “Frontline employees and performance: optimizing the frontline, maximizing the bottom line” explores how to effectively manage frontline customer contact employees. The next chapter, “Are you (appropriately) experienced? Service–sales ambidexterity,” by de Ruyter, Patterson and Yu, addresses the conundrum that many companies face, in which their customer contact people often have to divide their efforts between selling and serving customers.

MARKETING DECISION MAKING

The traditional 4 Ps have long been considered inadequate to describe service marketing, because of the greatly amplified importance of customer relationships. This is why the second, third and fourth parts of the book focus on customer-centricity and how to manage relationships with customers. Nevertheless, the traditional 4 Ps have not gone away. And three of the 4 Ps (product, price and place) have been greatly transformed by the nature of the growing service economy. Therefore it is no accident that some of our all-star author panel have chosen to focus on “Product and Pricing,” which is the book’s next part.

The first chapter is Shugan’s “The pricing of services.” Shugan is one of the deepest thinkers in service marketing and is well trained in the core discipline of economics. He shows how the pricing environment changes dramatically in the service environment. From pricing we then move to product. Xie and Fay, in their chapter, “Marketing innovation: probabilistic goods and probabilistic selling,” proposes some futuristic new ways to create and sell products, based on probability theory. They show that these seemingly wild ideas are actually already being found in practice to some degree. Anyone who thinks that the service revolution is not fundamentally changing marketing should read this chapter. The next chapter is from Swedish thought leaders Edvardsson, Gustafsson, Kristensson, Tronvoll and Witell, who describe new methods of developing new service products in their chapter, “New service development from the perspective of value co-creation in a service system.” Finishing the part is “Hybrid offerings: research avenues for implementing service growth strategies” by Reinartz and Ulaga. This chapter describes and motivates an increasingly common scenario—the bundling of goods and services to provide more value than either by itself—and shows how that scenario can be successfully managed.

Another of the traditional 4 Ps is place, and that has been transformed in recent years by the proliferation of the Internet, mobile communication, and social media. This motivates the next part of the book, “Digital

Service Marketing.” The first chapter in this part is “Adaptive personalization of mobile information services,” by Chung and Wedel. Wedel is one of the world’s leading figures in recommendation systems and personalization, and he and Chung describe how instead of “recommending” products, products can be designed that can adapt themselves automatically, based on observing the behavior of a customer over time, to personalize for the customer. From personalization, the next chapter moves to social media. The chapter “It’s the social, stupid! Leveraging the 4C markers of social in online service delivery,” by de Ruyter and van Laer, gives guidance about how to take best advantage of the social media environment. Digital piracy is an increasing concern in many quarters, and the next chapter, “A meta-analytic investigation of the antecedents of digital piracy,” by Taylor, Ishida and Melton, rigorously summarizes the existing literature about what we know about how people form their behaviors with respect to piracy.

THE BIG PICTURE—SERVICE MARKETING IN THE FIRM AND IN THE WORLD

The last two parts of the book step back to take a broader view of how the service revolution changes the marketing function, and the role service marketing plays in the society. The first part is “Rethinking the Marketing Function.” Starting this part are influential marketing meta-theorists, Vargo and Lusch, along with their colleague, Akaka, with the chapter, “Rethinking the roles of marketing and operations: a service-ecosystems view.” The chapter summarizes the “service-dominant logic” viewpoint of value co-creation, and how it changes the role that marketing should play in the firm. Also taking a broad view is the chapter, “Marketing: a service science and arts perspective,” by IBM service science guru and evangelist Spohrer, along with noted service academics Kwan and Fisk. The chapter combines engineering/operations concepts from the service science movement with ideas from marketing, and employs metaphors from the arts. The final chapter in the part, by hospitality expert Dev, describes how the service marketing environment is changing for one particular industry, hospitality, in the chapter “Hospitality marketing and branding research: insights from a specific service context.”

The final part of the book, “Service for Society,” describes how service marketing can serve the needs of the society as a whole. The first chapter, “Transformative service research: an emerging subfield focused on service and well-being,” by Ostrom, Mathras and Anderson, summarizes the broad topic of serving society. This conceptualization is then brought to

the area of government service by Kannan, in his chapter “Creating social value through citizen co-creation,” who argues that citizen co-creation can help improve government service.

WHAT WE LEARN FROM THIS BOOK

The learnings from such a stellar collection of service experts are numerous and we certainly cannot summarize all of them here. If you will grant us some editorial license, we will try to list a few of the things that we found most striking:

- The dramatically expanded emphasis on customer relationships and loyalty makes use of traditional goods marketing frameworks like the 4 Ps in service marketing woefully incomplete, if not dangerously obsolete.
- The value of the customer base, measured by customer lifetime value and customer equity, can be used to value companies, and can give better results than traditional discounted cash flow models.
- Pricing of services is completely different from the pricing of goods.
- Companies can (and do) sell a probability of receiving an offering. Not all of these companies are in Las Vegas or Macao!
- Products that change themselves to personalize for the customer can be better than recommendations or self-customization.
- New ideas from service marketing can be used to improve social well-being.

This is just a small sampling of the nuggets to be gleaned from this book. In conclusion, there are many exciting things happening in service marketing, and as service continues to expand as a proportion of every advanced economy, the marketing world will continue to evolve.

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