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Reflections on customers' primary role in markets

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ABSTRACT

Technology developments have transformed the business landscape by accelerating connectivity, transparency and unpredictability. We argue that the most dramatic consequence is not the possibilities created for companies but rather the challenges that emerge as a result of customer behaviour undergoing fundamental changes. Technology transformation has paved the way for empowered customers who are increasingly influencing businesses and markets, and the challenge for practitioners and researchers alike is to make sense of the role of these customers in such business environments. These developments have yielded a need to revise companies' business models and to innovate new offerings. In scholarly research on marketing, this need has become evident and, beyond suggesting new concepts, completely new marketing management perspectives have been proposed, and each has its own core assumptions and focus. Broader views have emerged, and these stress the applicability of these perspectives not only to the top-level management of businesses but also to any non-commercial organisation.

In this article, we reflect on the customer-dominant logic (CDL) of marketing, which stresses the customer's primary role in business. As such, CDL differs from approaches that focus on the provider's perspective. The CDL approach is an expression of the research ideals and goals that are based on the Nordic School of Service Management. We argue that CDL is well aligned with emerging challenges in most markets, both established and nascent, and that it is more managerially relevant than many other perspectives. This is also in line with the recent calls for a soul of relevance for European management research (Chia, 2014; Hernes, 2014).

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1. Introduction

It is widely recognised that the business environment and markets in almost every industry are undergoing dramatic change. This change is largely due to increasing global competition, advancements in technology, for example, artificial intelligence and the Internet of Things, as well as the emergence of new markets, such as the sharing economy and peer-to-peer services. Technology developments have transformed the business landscape by accelerating connectivity, transparency and unpredictability. As a result, institutional logics and established business models are being challenged. Companies are looking for recipes to enable them to overcome the decline of current business. Not only commercial or private markets but also the public and third sectors alike are being affected. These tendencies are rooted in the effect of technological

innovations, which affect society in general, and customers and markets in particular. The power balance between providers and customers has changed in favour of the customers. Customers' behaviour has changed, as they increasingly have a choice regarding which providers to engage. Providers are, consequently, facing increased difficulties with regard to being seen, chosen and sustained as the customer's partner.

These dramatic changes to the fundamental characteristics of markets and business environments have precipitated an interest in creating new theoretical maps of the transformed terrain, as conventional theoretical models and concepts in marketing are on the verge of becoming obsolete. Scholars have, consequently, developed new perspectives, models and concepts to explain the new essential success factors in business. By analysing the changes occurring in various markets, we can identify two types of observations. The first is the observation of increased complexity and transparency, whereby customers become influenced by multiple sources and interactions, consequently leading to increased

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dynamism of business. The second observation is that customers are active subjects who are embedded in their own contexts and are subjectively striving to achieve their well-being goals. Both observations lead to changes in the established marketing perspectives that assume provider control, stability in markets, customers as targets and provider-led interactions. As businesses are facing increased dynamism and changes, there is a need for them to take an active and conscious stance with regard to the recent occurrences in the surrounding environment and to reflect on the value and relevance of their current business directions. This motivates them to seek further clarification of the underlying assumptions, characteristics and implications of the marketing perspectives that are used by the companies.

In this article, we reflect on the nascent marketing perspectives that build the foundation for the current marketing practices by primarily emphasising observation number two—customers as active subjects. Specifically, we discuss the changes in the business environment from the customer-dominant logic (CDL) perspective. CDL emerged as a European and specifically Nordic-marketing perspective that explicitly emphasises the primary role of the customer (Heinonen & Strandvik, 2015; Heinonen et al., 2010). It differs from the established American-marketing perspectives, which focus primarily on observation number one—the provider's logic. We view CDL as being in spirit aligned with Hernes' (2014, p. 852) argument that European management research needs a soul of relevance to address 'the localized, embedded, fluid and contingent nature of [the] managerial work' that is characteristic of today's business environment. Adopting a similar stance, Chia (2014, p. 688) calls for research that is 'imaginatively interesting and often counterintuitive: contributions that reveal opportunities for making fresh connections and reconfiguring relationships to produce important novel insights previously unthought or unthinkable'. In the following reflections, we illustrate how CDL gives opportunities to both researchers and practitioners to explore important marketing management issues in novel ways. In line with Chia's (2014) arguments, we believe that until the underlying logic is revealed, the CDL perspective may seem counterintuitive or even obvious to individuals who are accustomed to thinking in conventional ways.

First, we reflect on the significance of mindsets and paradigms in marketing management theory and practice. We conclude that, in general, mindsets deserve more attention in theoretical and practical contexts and that the more dynamic the business environment, the more critical the role of mindsets and paradigms becomes. Next, we reflect on the key concepts that are the fundamental building blocks of the CDL perspective. These concepts are stepping stones to novel and different insights into customers and markets. In the following section, we reflect on the practical implications of applying CDL. Finally, we specify the currently unresolved issues and research questions that arise from adherence to the CDL perspective.

CDL as a perspective is designed to be applicable to a range of contexts—for example, to commercial and non-commercial settings, consumer and business customers, single customers, and customers consisting of groups or collectives. Indeed, the assumption is that the notion of the customer is significant in most contemporary markets and constitutes the basis for all businesses and organisations. In commercial settings, there is no business without customers. In non-commercial settings, a similar argument is valid: Without users, beneficiaries or followers, no organisational activity can prevail. Therefore, from the provider's point of view, the most important factor in the market is the customer. Throughout the paper, we use the term "provider" when referring to the company or organisation that provides an offering to the customer.

2. Paradigms matter in management theory and practice

In recent decades, numerous marketing management paradigms have been introduced. Paradigms matter for both academic research and practitioners, although this is not always explicitly recognised. There are different marketing paradigms in academic research, and they often use similar concepts but apply different meanings to them. Different paradigms also have different goals and purposes, which drive their focus and scope. The concepts that are used in a specific paradigm usually represent a coherent whole, which is driven by the basic assumptions of the paradigm. Different marketing paradigms use different sets of core concepts and definitions, thereby creating specific lenses through which situations are seen and determinations are made regarding what needs to be done. The dilemma arising from the existence of multiple marketing paradigms is that foundational assumptions are not always recognised and considered.

Strandvik and Heinonen (2015) and Strandvik (2013) position and contrast some of the current marketing management paradigms in a framework (Fig. 1) that emphasises the fundamental differences between the perspectives. The managerial focus and managerial scope separate the paradigms from each other and capture essential elements of value creation. *Focus* refers to where the emphasis is placed when designing and implementing strategies and offerings. Over time, focus has gradually shifted from a provider focus to an interaction focus and, more recently, to a customer focus. *Managerial scope* refers to how broadly the offering and its context are considered based on the paradigm. Over time, the scope has expanded from being focused on a transactional exchange to focusing on the relationship between the provider and the customer and, further on, to adopting the view that what is offered is a part of a system. Fig. 1 represents a map of how marketing paradigms have emerged and changed over time based on the two dimensions.

In scholarly research, each marketing paradigm tends to develop a set of its own core concepts or redefinitions of established concepts to represent its essential features. In management practice, such distinctions are not always made explicit, and the assimilation of new perspectives is challenging. Typically, in many traditional industries, institutionalised mindsets, which are similar to paradigms among researchers, are not only deeply rooted in reasoning and actions but also reflected in organisational structures and patterns of cooperation with other organisations (Strandvik, Holmlund-Rytkönen, & Grönroos, 2014). Therefore, a change in mindset that eventually results in implementations in practice is a long process, starting with reflection on the current mindset (Holmlund, Strandvik, & Lähteenmäki, 2017). The development of new marketing perspectives is driven by changes in the society and business environment at large. Companies that discover that traditional business models and offerings are not sufficient request innovations and new ideas to enable them to survive and prosper. In this context, academic theorising flourishes and alternative perspectives are created.

The marketing paradigms that have evolved since the 1970s are traditionally represented by a *provider* focus and a transactional scope. Numerous practitioners consider this the way in which marketing management should be conducted. Based on this mode of thinking, marketing is primarily seen as marketing communication, which is handled by an organisation's Marketing Department, and it is considered to be an expense (Grönroos, 1982). The offering is a designed product that contains the value to be exchanged. Customers are seen as targets to be activated and controlled by the provider, and the main concern for providers is to differentiate themselves from their direct competitors. According to this common mindset, marketing has very little influence on

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