ABSTRACT

Recent articles have proposed that the future of services research may be at risk due to the foundation upon which the services discipline has been built. Indeed, the most fundamental issue of the service discipline or science is still subject to debate, namely the paradigm that answers the question “What is a service?” Common paradigms of services have been criticized in the literature as being “outdated” and “deeply flawed.” Various researchers have put forth calls for new paradigms that overcome shortcomings of prior paradigms. This article reviews major service paradigms and their criticisms. Paradigms coming from a services marketing perspective are compared with those coming from a service operations perspective. A “customer-supplier” paradigm coming from the operations perspective is presented which is based on the concept of customers being suppliers of process inputs for all service processes, but not for non-service processes. This customer-supplier paradigm has also been called the Unified Services Theory (UST). Empirical data shows that the customer-supplier paradigm is superior to other service paradigms.

keywords: service operations, empirical research, interdisciplinary

INTRODUCTION

Every field of study is founded on one or more paradigms, which are philosophical or theoretical frameworks. Paradigms define the basic assumptions of sciences and disciplines. There have been a number of common paradigms associated with the study of service businesses. These paradigms attempt to answer this fundamental question: If one is studying services, what exactly is being studied? For example, it is common to express a services paradigm in terms of “goods versus services,” which implies that services are different from goods. If so, the question then becomes how they differ, and if those differences impact how they should be managed.

Some have argued that services exist to serve the needs of customers, and recognize that goods can also serve the needs of customers. The conclusion some have espoused is that even goods are services—that everything is a service! [e.g., 1, p. 334; 2, p. 150] That conclusion would lead one to believe that the study of services is the study of anything and everything. Such a broad paradigm provides little value in terms of managerial insight. Advancement of a services discipline hinges on a belief that services possess managerial differences from non-services.
This section will outline service paradigms (SPs) which have been assumed over the years as discussed in the literature, including some potential counterarguments. The first and most naïve services paradigm is not founded upon what services are, but rather what they are not.

**SP₁ (residual): Services are economic activities not accounted for by other sectors of the economy.**

The “other sectors” generally include agriculture, mining, manufacturing, and in some cases construction and utilities [7]. This services paradigm has been largely perpetuated by government classification schemes [8], but also by academics [9]. In 1934, the US Interdepartmental Conference on Industrial Classification recommended the development of a system for standard industrial classification (SIC) [10]. The original SIC specification came in two volumes, one for “manufacturing industries” and the other for “nonmanufacturing industries” (including services).

The question remained of whether there was any managerial significance involved in the classification of manufacturing and nonmanufacturing industries. Manufacturing industries have many management challenges in common—inventory management, identifying production bottlenecks, and so forth. However, even recent industrial classification schemes acknowledge that services cover a “wide variety” of industries, with no clear indication of common managerial issues [11].

**SP₂ (non-ownership): Services are transactions wherein the object of the transaction is other than the transfer of ownership of a tangible commodity.**

This service paradigm is more specific than SP₁ in that it enumerates two conditions of exclusion: transfer of ownership and the involvement of a tangible commodity. A counterargument is that SP₂ categorize business activities in ways which are inconsistent with common beliefs about how services behave. According to SP₂ public radio broadcasting and the production of prepackaged software would be services, even though they do not exhibit commonly held managerial characteristics of services (discussed in the penultimate section). SP₂ would exclude services involving the transformation of tangible items from being services, including restaurants, home painting, and plastic surgery. Even Judd [12] points out that, as a definition by exclusion, SP₂ is inherently defective.

Another early services paradigm was espoused by Rathmell, who juxtaposed goods and services, declaring that “a good is a thing, and a service is an act” [13, p. 33]. This view has been reemphasized by others, who refer to services as deeds, processes, and personal performances [14-17]. A variation on that theme is that services are products that are processes [18; 19]. These service paradigms are summarized as follows:

**SP₃ (act/performance): Services are acts performed by one entity for another entity.**
Such a paradigm makes intuitive sense, and we are unlikely to find a counterexample. Instead, the counterargument to SP\textsubscript{3} is that it does not differentiate services, but may be considered to apply equally as well to non-services such as pure manufacturing. A person would have to be completely naïve to assume that made-to-stock manufacturing (a non-service) is other than an act performed by one entity for another entity. The fact that end consumers cannot observe the manufacturing process does not diminish the fact that manufacturing acts are being performed. Therefore, SP\textsubscript{3} would lead us to believe that every business is a service, and thus SP\textsubscript{3} provides no discriminative value.

Another popular service paradigm focuses on the intangible nature of services. Pearce calls services “intangible goods” [20, p. 390], which idea has been echoed by others [e.g., 21, p. 372; 22]:

**SP\textsubscript{4} (intangible): Services are intangible products.**

Although tangibility-intangibility can be treated as dichotomous, it is commonly accepted that it exists on a continuum [14; 23]. SP\textsubscript{4} has been widely quoted over the years, but has recently fallen into disfavor. Laroche, Bergeron, and Goutaland empirically studied a wide variety of business products including compact disks, pizza dinners, and checking accounts, and conclude that “some goods appear to be less tangible than many services” [24, p. 26].

Lovelock’s and Gummesson’s criticism of the intangibility paradigm is imbedded in criticism of “the current core paradigm of services marketing, namely, the assertion that four specific characteristics—intangibility, heterogeneity, inseparability, and perishability—make services uniquely different from goods” [6, p. 21]. These four characteristics are collectively referred to as IHIP, with common definitions as follows [3; 14; 26]:

- intangibility—incapable of being perceived, especially by the perception of touch (physical intangibility and mental intangibility described above).
- heterogeneity—unique products (or possibly unique processes).
- inseparability (also called “simultaneity” or “simultaneous production and consumption”)—consumed at the point of production.
- perishability—discussed in two dimensions: (1) perishable products, meaning that the process output provides customer benefits for a limited duration, and (2) perishable capacity, in that capacity without corresponding demand cannot be utilized to meet future demand.

A detailed literature review by Fisk, et al. concluded that, at least at the time of their article, IHIP “provided the underpinnings for the case that services marketing is a field distinct from goods marketing” [27]. That core paradigm is restated as follows:

**SP\textsubscript{5}: Services are characterized by IHIP, and non-services are not characterized by IHIP.**
We have already considered disputations concerning intangibility. Lovelock and Gummesson make compelling counterarguments against the definitiveness of each of the IHIP characteristics. They conclude “As a paradigm, the notion that the four IHIP characteristics make services uniquely different from goods is deeply flawed” [6, p. 32].

The sentiment against IHIP appears to be gaining ground. Grove, et al. surveyed ten services experts and make the following observation: “Some believe that the field [of services marketing] has been too preoccupied with minor refinements and argue that bold change is needed. Perhaps the most provocative comments in this respect are the call to drop the four characteristics [IHIP] that are commonly used to distinguish services from goods [marketing]” [28, p. 112]. One of the experts called IHIP a “misrepresentation” and another declared IHIP to be “service mythology” [28, p. 115].

**SKEPTICISM AND THE NEED FOR A NEW PARADIGM**

Lovelock and Gummesson begin their article with the query, “Is the academic field of services marketing in danger of losing its broad and in many respects coherent perspective?” [6, p. 20]. This skepticism is based on their analysis and conclusion that “the underlying premises of [the IHIP] paradigm no longer bear up under examination” (p. 37).

This skepticism about prior service paradigms has been echoed by others. Edvardsson, Gustafsson, and Roos surveyed eleven top service researchers and conclude that “on lower abstraction levels a general service definition does not exist. It has to be determined at a specific time, in a specific company, for a specific service, from a specific perspective” [29, p. 119]. Vargo and Lusch seem to make the same conclusion and declare, “We advocate that the strategy of differentiating services from goods should be abandoned…” [1, p. 334].

The experts surveyed by Grove, et al. also revealed “a call to eliminate the goods versus services distinction altogether” [28, p. 113]. Eliminating the goods versus services distinction could have serious ramifications. For example, it would likely undermine the establishment and progress of a cross-functional services discipline since traditional non-service approaches to functional disciplines would likely be adequate for the study of services. Johnston [30] argues that the retreat of services back into traditional functional areas has already begun. Even though he contends that this digression might have some benefits, it would be unfortunate if the cross-functional study of services were to abate.

Lovelock and Gummesson present a “potential basis for a new paradigm,” namely “nonownership.” They posit that “transactions that do not involve a transfer of ownership are distinctively different from those that do” [6, p. 34]. They contend that services “involve a form of rental or access in which customers obtain benefits by gaining the right to use physical objects, to hire the labor and expertise of personnel, or to obtain access to facilities and networks” (p. 34). This paradigm is summarized as follows: [6, p. 20]

\[SP_6 \text{ (rental/access): "Services offer benefits through access or temporary possession, instead of ownership."} \]
This is an intriguing paradigm, although it is not completely new. SP2 presented by Judd [12] emphasized the importance of transfer of ownership in distinguishing goods from services, and Rathmell stated “If a product is purchased, it is a good; but if it is rented or leased, the rentee or lessee acquires a service” [13, p. 34]. Lovelock and Gummesson acknowledge this history, but point out that non-ownership has since been largely overlooked as a characteristic of services.

**SERVICE PARADIGMS FROM OPERATIONS**

Arguably, the preeminent service operations paradigm is the customer contact model that was introduced by Chase some time ago (1978; 1981; Chase and Tansik 1983; Wemmerlöv 1990, p. 21). Chase calls services involving a high degree of customer contact “pure services” and those with a low degree of customer contact “quasimanufacturing.” One might suppose that processes involving no customer contact whatsoever would be “pure manufacturing.”

Chase’s fundamental argument is that the potential operating efficiency of services is limited by the amount of customer contact with service employees. In fact, Chase goes so far as to prescribe the famous equation:

\[
\text{potential operating efficiency} = f\left(1 - \frac{\text{customer contact time}}{\text{service creation time}}\right)
\]

In the original recitation, customer contact was defined as “the physical presence of the customer in the service system” [36, p. 138]. Although he did not call it a paradigm at the time, Chase’s ideas can be stated as a services paradigm as follows:

**SP7 (customer contact): Services are production processes involving customer contact.**

One potential weakness of the customer contact paradigm has been that it focuses on customer presence in the service system and fails to consider what customers are doing within the system. Mersha [37] addressed this concern by revising the definition of customer contact to differentiate between “active contact” (direct customer contact that involves interaction) and “passive contact” (direct contact that does not involve interaction, such as riding a bus). Mersha asserts that active contact is what drives potential operating efficiency of services. Mersha allows for remote services involving direct customer contact without requiring customers to be physically present. Remote services that are mediated by technology have been more recently studied by Froehle and Roth [38].

Subsequent to Mersha’s work, Kellogg and Chase [39] developed a scale of customer contact encompassing three dimensions: (a) total amount of time customers spend communicating in the production system, (b) the richness of the information being exchanged, and (c) the amount of confiding and trust shared between customers and employees. This scale again demonstrates that customer contact occurs in degrees.
THE CUSTOMER-SUPPLIER PARADIGM

The customer-supplier paradigm (or Unified Services Theory) focuses not on what customers do, per se, but on what customers provide as inputs to service processes:

**SP₈ (customer-supplier):** Services are production processes wherein each customer supplies one or more input components for that customer’s unit of production.

SP₈ asserts that the universally distinguishing feature of services is the involvement of customers in production processes by involving inputs that are supplied by customers. As indicated by Lovelock [40], customer inputs include customers’ selves, their belongings, and/or their information. Customers are therefore suppliers to service processes, as depicted in Figure 2. The customer-supplier service paradigm holds that customer inputs are a necessary and sufficient condition for a service process to be a service process, and the lack of customer inputs characterizes all non-service processes. SP₈ has broad managerial significance: processes that involve customer inputs possess management concerns similar to one another, but involve different concerns from processes not dependent upon customer inputs.

**EMPIRICAL TEST**

An online survey was administered to students at the author’s home institution in April of 2006. Seventy business processes on a service to non-service continuum were measured according to the degree they were considered to be a “service” (versus a non-service). Each of the seventy was also measured according to how much each paradigm was perceived to apply. They all were multi-item scales, with a few items eliminated to assure high Cronbach Alpha values. Then, each paradigm scale was correlated with the base “service” scale.

Each correlation coefficient was non-zero at a <0.01 level, which means that they all can be considered to pertain to the concept of “services.” Nevertheless, there is a wide range of coefficients. The strongest correlation is for SP₈, the customer-supplier paradigm. This suggests that SP₈ has the best ability to predict that subjects would perceive a given process as being a “service.” The items in the SP₈ scale had good construct validity: the SP₈ items correlated much stronger with each other (convergent validity) than they did with the items from other constructs (discriminant validity). This affirms that SP₈ is a distinct paradigm, and not just a repeat of one of the other paradigms. (The other SP scales also had good construct validity.)

We conclude that there is merit to all of the considered paradigms, and that the Customer-Supplier Paradigm has particular distinctiveness. More information about this paradigm can be found in the following publication: Sampson, S. E. (2001). *Understanding Service Businesses: Applying principles of the Unified Services Theory*, 2nd Edition, John Wiley & Sons, New York.

References available upon request from the author.