

## The Digital Marketplace: A Service Systems Perspective

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**Purpose** - The past few decades have brought major change to a number of industries as new business models, such as the digital marketplace, have proven dominant. For example, in retail, up-until recently large companies like Walmart held competitive advantage, as the optimization of product flows from suppliers to stores and from stores to customers, rather than the customer experience, was the differentiating factor. However, we are now witnessing increased disintermediation in the retail value-chain as new entrants are applying advances in information technology to create novel combinations of value to end-customers, simultaneously covering the front and back stage activities in the service system.

**Design/methodology/approach** - We develop understanding for how digitalization is enabling firms to integrate the online and offline channels and succeed in creating a more coherent and personalized customer experience in the 21st century. Through a case study of the retail industry, we take a service systems perspective from service science to draft a model of the marketplace service system. More specifically, we seek to understand how the marketplace service system is structured and how it differs from traditional retail business models.

**Findings** - We argue that through the increased popularity of new digital business models, such as the digital marketplace, a new stage in the service system is emerging where the online and offline domains are converging to create a more coherent customer experience. We contribute to the marketing and service science literature by showing that marketplaces take customer experience to a new level by way of shared products, information and services, through the integration of the backstage to provide the frontstage processes. In this transformation, a critical aspect is the vertical, horizontal and global integration enabled by the service system.

**Practical implications** - As modern businesses continue to be increasingly information technology driven, for example, through the reliance on big data analysis, and the adoption of novel technologies such as augmented reality and artificial intelligence, this study provides insights to managers and practitioners about how, in the future, leading players in service businesses will most likely be the ones with the most coherent customer experience and service system across both online and offline.

**Originality/value** - This study contributes new understanding about the implications of digitalization on the dominant business models and service systems through a case study of the service system transformation in the retail industry. While new business models, for example sparked by the platform economy, have received increasing theoretical and practitioner interest during the past few years, this study fills the gap related to the lack of theoretical understanding about these transformations, and their implications on the incumbent service system.

**Keywords:** Service science, Marketplace, Platform economy, Customer experience, Retail