Chapter 9: Service Product

The purpose of this chapter is to analyze the responder’s answers concerning the service product they deliver. Firstly it well be investigated how the sample distinguishes between core and secondary services.
The further distinction into delighting services has not been considered in the analysis because it has been too difficult to determine the delighting service attributes for the service managers.

Thereafter it will be of interest how service providers develop their service offer. Special focus will be on the source of inspiration behind the development. Finally, a potential gap between management's and customer's perception concerning service quality will be analyzed.

9.1 Core Services and secondary Services

In chapter five services have been characterized with core service and secondary service. The managers in our sample of different service companies were asked to describe their core service and hereafter their secondary service.

This is considered to be of interest because secondary service attributes were identified to create and sustain a competitive advantage. Being aware of one’s secondary service attributes can be helpful to determine the competitive position of a service company.

Service companies which concentrate on improving and developing their service attributes have in general more possibilities to increase their service value and structure the service offers.

The empirical research indicates that managers in hotels are most aware of how to describe their service (overnight stays) and their secondary service which, for example, were labeled with color TV in the room, clothes washing, bar in the room, friendly employees, restaurant, flight ticket service, currency exchange- just to mention a few.

The answers show that the responding hotel managers were able to identify and to distinguish between core and secondary services.

For restaurant managers the distinction was not so easy. Only a few regarded the delivery of meals as their core service. In contrast many managers their responded to perceive a high value
(cost-benefit, cozy experience) as their core service which is supported by secondary service as for example cleanliness, friendliness, courtesy, courtesy, etc.

Especially the managers of fast food restaurants stress the customer's positive experience as the main goal for their service product (core and secondary).

This indicates that those managers seem to have the competence to develop service attributes which on the one hand improve the service quality and on the other hand can create a competitive advantage.

One explanation might be that the bank business is rather complex (from loan to investment advice, financial consulting including tax and insurance issues) which makes it difficult to determine one single core service.

Despite this unawareness it is not likely that the competitive position of bank is threatened.

The main reason it is seen first of all in the high switching costs due to personal and technical dependency which prevent customers from defection. Secondly, the bank branch is characterized as being rather complex and knowledge based which represent another entry barrier.

The need for identifying the various service levels seems to be a of minor "competitive" importance in the bank branch.

All in all has been shown that most hotel managers and some restaurant managers demonstrated their ability to distinguish between core and secondary services which provides them with the opportunity to determine and improve their competitive position in the corresponding service branch. It appeared that only a fraction of the managers in the remaining service branches was able to determine their core and secondary services.
**9.2 Service Development**

Having examined the managers ability to determine the various service levels, it is now of interest to analyze how the specific service attributes are created and developed. Special focus will be put on the sources of inspiration behind the development.

This provides insights on whether the management dictates new attributes or other sources of inspiration are involved, for example employees, customers, or competitors.

It is believed that when customers or employees are involved in the development of new service attributes, it is more likely that needs and expectations of the customers are encompassed in the service delivery.

By taking the opinion of customers and front-line employees into account when developing the service offers, it is possible for the manager to minimize, or eventual close, gap 1 refers to the differentiate customer expectations and management perception for customer needs and want

The empirical research shows that the very vast majority of the respondents (95 per cent) emphasize that they are constantly developing new service offers or improving the existing ones.

It is now of interest to investigate which parties are involved in the product development process. The survey indicates that 25 per cent of all responding managers, state that they themselves participate actively in the creation of new service offer. The study shows 85 percent stated that front-line employees are the one who directly contact with customer are involved when developing and enhancing service offers.

Moreover, 44 percent of all responding mangers outlined that the customer is asked to participate in the creation or improvement of service attributes. In general this happens by customer surveys where the custom is asked to evaluate the existing or fictive service attributes.
These information are use to improve the existing service offer. Especially the consideration of customer’s opinion provides an opportunity for service companies to offer a service which is in line with customer's needs and exceptions.

On the other hand, 87 per cent of all service managers stated that they also look at competitor's service offer. This is done in order to find out whether their own service corresponds to the branch's standard, but also to get new inspiration.

The need to consider competitor's service offers is underlined by the tendency that managers evaluate their own service attributes inferior or equal to their competitors' ones. The survey reveals that approximately 30 percent of the service managers believe that their own service performance is not superior to the ones of their competitors.

It is now of interest to identify significant differences and similarities among the six service branches when developing their service attributes. In the hotel branch it appears that every manager stresses that employees, customers, and competitors are involved or considered, respectively.

This indicates that this branch shows an extreme interest in being customer oriented and thereby considering their competitive position.

All five branches services involve their employees, especially front-line personnel and consider their competitions when developing and improving their service product. Additionally, only a part of the manager’s 66 percent in banks, and 50 percent among tour operator, point out that the customer's opinion is directly considered.

One potential explanation is seen in the high degree of contact during the service encounter between customers and front line personnel. Hence, for some managers the employee's ability to assess customer needs and expectations gained during the service encounter substitutes a direct involvement of customers.
Concerning banks, and tour operators it can be concluded that they receive inputs from employees, competitors and from customers, eight directly or indirectly. It appears therefore that these branches utilize sources which can enhance their ability to satisfy customers and to meet their expectations.

The majority of the service companies focuses on gathering information from front-line employees, customers and competitors, however, it is striking that nearly 30 percent of the manager do not directly involve the customers in the product development process.

In contrast all the managers state that the competitor’s service package has a significant influence on the development of their own services. It is therefore questionable whether these managers' posses the ability to meet customer's needs and expectations when they relying on competitors sources when designing their services.

9.3 Customer Orientation:

Analyzed how the mangers create and develop their service offers to meet the customer needs and expectations. The managers were asked to determine the difference between their perception of good service and the expectations of customers. The answers will provide insights to the potential gap 1 in the Conceptual Model of Service Quality.

In the previous section it has been shown that the vast majority of the service managers take various parties, employees, customers, and competitions, into account when developing new service offers or when improving the existing services.

It is now questionable whether the manager and customers regard as good service, seen from the management's point of view. It is worth mentioning that the actual size of the gap requires a comparison between the customer's and management's viewpoints which has not been possible based on the chosen research design.
The empirical survey reveals that 95 percent of the responding managers is convinced that their service offer is in coherence with the customer's expectations.

All managers in hotels, banks, tour operators, telecommunications and restaurants point out that their perception of good service corresponds with the one of their customers. This indicates that those managers are quite sure that they service product satisfy their customers. Furthermore, it appears that the managers in these branches believe to receive sufficient inputs concerning customer needs.

The strong focus on considering competitor's service package seems to provide the manager with insufficient inputs. Thereby it is assumed that these managers might suffer from a lack of customer orientation.

All in all, the impression arise that managers are in general convinced about their ability to meet the customer expectations and thereby satisfying the customer wants. They assess the size of gap of gap 1 to be minimal, but as stated earlier, the assessments do not reflect the "real" size of the service quality gap.