Service Management Concept for Creating Market Value

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Abstract: In the recent years, market environment has been changed quickly. The major changes are defined as globalization, fast trend changes, and repeated technological improvements. Under the emerging condition, organizations need to define the stable method of business management. Currently, organizations are managed by the concept of marketing, then develop the new product which is market oriented. Developing the new product with high quality and multiple functions is not enough to satisfy current customer needs. In the current movements of market conditions, in order to obtain competitive advantage, organizations need to consider new approach of offering the value. In this research, the new concept of market offerings is demonstrated. The value of market offerings is focused in this paper. In this concept, product and service are provided by the new methods. In this concept, the factors of creating value, and the components of market offerings are slightly different from current concept. The factors of creating value are knowledge, skill, information, and action. The methods of providing value are service provider, physical goods, network, and facilities. Organizations consider the method of providing value which adjusts the characteristics of the factors of creating value. The components of market offerings are categorized core part, associated part, supplementary service, and supplementary product. With introduced new approach for the service management concept, effective management methods are able to be designed.

Key Words: Competitive strategy, Service management, Marketing management, Service Dominant Logic (S-D Logic), Market offerings

1. Introduction

In this research, service management concept for the current market characteristics is considered. The major management methods consider mostly products and/or services. Introduced view of management approach considers value of market offerings. In this section, first, the necessity of new approaches of management is discussed. Then, the research purpose is described.

1.1 Research Background

In recent years, some market environment movements make organizations difficult to obtain competitive advantage. The traditional competitive strategy considers new product development with higher quality and adding various functions for the physical products. However, high quality and adding functions are not enough to satisfy customers’ demands. Because, a lot of new products are not brand new products. They are just improved current products.

Also, organizations differentiate products and services from other organization’s products and services for obtaining competitive advantage. In recent years, many products and many services are into the market. These products and services are differentiated by competitive higher quality, functions, and/or price. These products and services are improvements of existing products and services. Improvements of existing products and services fit the market for satisfying customer needs. However, these products and services cannot satisfy customers’ potential needs such as emerging current market expectation.

In the current market characteristics, customers always expect brand new product and service containing new market value. So, organizations need to create value and methods of providing new value in new or different ways. The different value is created in the quality, function, and price of the products and/or services.

1.2 Research Purpose

The research purpose is generating the service management concept with discussing the factors of value and the components of market offerings. The value of products and services are indicated with similar factors. The components of market offerings are always related with value.

The research considers the value is the base of the market offerings. Considering to create value or methods of providing value are not previously discussed. Traditional management considers competitive strategy with quality, function, and price as the basic background concept. The research considers the method of offering value which is basic core concept of the strategy. This concept considers products and services as one of the tools or functions of the value.

Therefore, the research discusses the factors of creating value, the methods of providing value, and the components of market offerings. The introduced concepts are effective for the related research and practical business applications. Traditional business management and marketing studies have been focused on the manufacturing based business. In this case, product man-
agement means physical products. Therefore, major management methods are suitable for the product manufacturers.

On the other hand, in the service management fields, management concepts are developed under the only service fields. As the results, management methods are developed separately.

However, physical products and services are offered together in the same time in the recent years. Hence, this paper defined the unified conceptual approach as the goods and service value management of the recent market. By utilizing the introduced goods and service management concept, the strategic management methods are able to be generated. The generated management methods are effective for the current market offerings.

2. Concept of Market Offerings

There are several traditional concepts and methods for recognizing the market offerings. However, the research focuses on the goods and services. In this section, the major concepts are introduced and the both concepts are core knowledge of generating the new approaches of the market offerings. The two different approaches are known as the Goods-Dominant Logic and Service-Dominant Logic. The major differences of service contents of two concepts are shown in table 1.

| Table 1 Service Definitions |
|-----------------------------|
| **Definition of Services**  |
| G-D Logic                   |
| Offering items              |
| Durable products, non-durable products, and services |
| S-D Logic                   |
| All of the offerings delivering certain knowledge and/or skills |
| **Offering items**          |
| Durable products, non-durable products, and services |

2.1 Goods-Dominant Logic

In the product based current market, goods-dominant logic is major concept of the business activities. Traditionally, market offerings are defined as the two parts such as physical part and non-physical part, in other words, goods and services. It is the major concept of the current business market.

2.2 Service-Dominant Logic

Service-dominant logic was suggested by Vargo and Lusch (2004). Traditional management considers value is basically created by products. It is different from the characteristics of services management. Hence, the method of product management is different from service management method.

Service-dominant logic considers services as a core of market offerings. Products are considered as part of services. The logic is comprehensively considers products and services as the method of providing value.

Service-dominant logic defines service as utilizing knowledge and skills for benefits of others or themselves. The definition considers that all of market offerings are services. Hence, products are recognized as a way of converting knowledge and skills offering by physical goods.

3. Functions of Services

This paper referred previous researches about the service definition for considering the value of services. Kotler (1991), Gronroos (1990), and Wirtz et al. (2012) suggested service is action. The articles indicated that the customers expect the action which changes customers’ body, mind or goods. The actions of service providers or customers are recognized as the factor of creating value.

Harada (2012) suggested service contents are labor, knowledge and information, specialized talent, and occasion and opportunity (see table 2).

| Table 2 Service Contents |
|--------------------------|
| **Service type**          |
| Labor                    |
| Knowledge, Information    |
| Specialized Talent        |
| Occasion, Opportunity     |
| **Service contents**      |
| Providing actions for customers who cannot do the action because of busy |
| Providing information for customers which beyond their understanding or brand-new fact and data |
| Providing actions for customers which cannot do without expert knowledge and skill |
| Providing situations for customers which customer needed |

Labor and specialized talent are offered as action to the customers. Labor provides the actions to customer who cannot do the action because of busy. Specialized talent is the action that customers cannot do by themselves without specialized knowledge and skill. Specialized talent is provided to the customers when cannot do some action without expert knowledge and skill. Therefore, both labor and specialized talent provide action. The difference of labor and specialized talent is the necessity of the expert knowledge and skill. Labor’s action does not require the expert knowledge and skill. Specialized talent’s action requires the expert knowledge and skill.

Occasion and opportunity are also recognized as services which providing action. Occasion and opportunity provide the situation to the customers. Organizations require facilities for providing occasion and opportunity to customers. Customers demand is satisfied by using facilities or goods. Therefore, the value of occasion and opportunity are customer’s action which using facilities or goods.

Then, knowledge and information provide customer which beyond customers’ current understanding or yet undiscovered. The information is which customers cannot know without any assistance. Knowledge is which customers have not obtained by themselves. Knowledge and information provide customers by verbally. Therefore, knowledge and information are considered as the action. However, customers’ demand of the action of knowledge and information are lower than the actions of labor, specialized talent, and occasion and opportunity. However, in the some types of services, customers consider that knowledge and information are more important than the action.

4. Components of Services

Kotler (2010), Wirtz et al. (2012), Normann (2002), and Kondo (2011) defined the components of services. Then, core service is one of the components of services. At the same time, it is
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fundamental element. Core service delivers core benefit. Core benefit is the fundamental benefit which customers expect. The four previous researches suggested the similar contents of services with core service. However, the four previous researches suggested the slightly different components of services.

Fig. 1 Three Levels of Services (Kotler, 2010, p.198)

First, Kotler (2010) suggested perceived services and augmented services as the different components as shown in figure 1.

Perceived service is organized eight attributes which deliver customer perceives benefits and/or features of services. The eight attributes are provider, quality level, brand strategy, providing process, service time, wait time, support equipment, and customer. The eight attributes is shown in table 3.

5. Supplemental Service
The function of augmented services is adding supplementary service or benefits to perceive services. For differentiating the service, augmented services are satisfying customer’s expectations which are not clearly identified by the customers.

Next, Wirtz et al. (2012) suggested supplementary services as one of the components of services. The suggested composition of services is shown in figure 2.

Supplementary services are closely related with core service. Supplementary services support provision of the service or improve the value of services. Supplementary services are considered for differentiating the service with the others. Therefore, selective supplementary services define the effective service positioning in terms of differentiation in the market.

5.1 Functions of Supplemental Service
There are two principal functions of supplementary services. Facilitating services are necessary services and support for providing core service. Facilitating services are information, order taking, billing, and payment.

Enhancing services has the task of improving customers’ value. Enhancing services are consultation, hospitality, safekeeping, and exceptions. The contents of supplementary services are explained in table 4.

For example, information processes contains information, order taking, billing, payment, and consultation. In information process, organizations and customers exchange information. In this case, physical processes are hospitality, safekeeping, and exceptions. Physical processes require facilities, staffs, and/or physical goods. Usually, both physical goods and service process are required but, some cases such as the contents of exception do not always need facilities, staffs, or physical goods.

Table 3 Eight Attributes of Perceivable Services

| Provider         | Providing services for customers directly |
|------------------|------------------------------------------|
| Quality Level    | Quality of service performance            |
| Brand Strategy   | Names and contents of each service         |
| Providing Process| Processes in which services are provided   |
| Service Time     | Time required to provide services          |
| Wait Time        | Time when customers get satisfaction from provided service. |
| Support Equipment| Equipment used by professional for providing services |
| Customer         | Other customers who find or involve while provided services |

Fig. 2 Flower of Service (Wirtz et al., 2012, p.98)

5.2 Other Approach of Service Contents
The concept of associated services is introduced by Kondo (2011). Also, Contingent services, and underlying services is defined as the other components of services. Kondo (2010) suggested the components of services as shown in figure 3.

Associated services are secondary services and related with core service. Contingent services are not always recognized with core benefits and it is recognized as the secondary benefits in the market. The importance of associated services is lower than core service. However, customers do not always consider that associated services is less important than core services. Therefore, associated services are considered as important services by several customers.

Contingent services are not always required. But, core service and associated services are always required. For example, the several obstructive factors arise from the processes of core service and associated services. Contingent services correspond to these obstructive factors. The obstructive factors are...
categorized external environment and customers’ special requests. The external environment is disaster, trouble, weather, water outage, blackout, and all that. The customers’ special requests are based on career, concept of value, and culture.

Underlying services is related with the benefits found by the customers themselves. Organizations do not intend to provide these benefits. Typically, organizations intend to provide the benefits of core service, associated services, contingent services. Customers find these benefits before the organizations recognize them. Therefore, underlying services become the others service components when organizations acknowledge and correspond underlying benefits.

The previous researches of the components of services suggested core service is fundamental element of the components of services. The previous researches also suggested the other components of services such as perceived services, augmented services, supplementary services, associated services, contingent services, and underlying services.

6. Factors of Value and Methods of Providing Value

The factors of market offering’s value are discussed based on service-dominant logic, the functions of services, and the components of services. In this section, the value of service and methods of providing value are discussed.

6.1 Factors of Market Offering’s Value

Service-dominant logic suggested that products are a part of services. Therefore, the factors of service’s value are considered as the factors of product’s value. In order to consider the factors of market offerings, the factors of service’s value are discussed.

First, the contents of value with knowledge are considered. Knowledge is that understanding theory of things or cause of problems. Customers demand understanding theory or matter from expert knowledge. Therefore, the value of knowledge is judged when customers understand theory or matter. The knowledge creates value when customer takes solution of customer’s problem.

Next, the contents of value with skill are considered. Skill is ability to solve matter or ability to respond. Customers demand solution of matter from expert skill. Therefore, the value of skill is judged when customers take solution of matter with acquired skills. In this case, the skill creates value when customer solves customer’s matter from acquired skill.

Then, the contents of value with information are considered. Information is contents, condition, and explanation of affairs. Customers demand knowing contents, condition, and explanation of affairs from information. Therefore, the value of information is judged when customer knows contents, condition, and explanation of affairs. Information is provided to customer by means of sound, vision, text, and all that. The information creates value when customer takes information with expectation or clear information.

Finally, the contents of value with action are considered. Action is provider’s acts or attitudes to customer or customer’s goods. Action requires no expert knowledge and expert skill.
Customers demand simplified or outsourcing of customer’s acts. Therefore, the value of action is judged when customer’s acts become simplified or outsourcing. Hence, action creates value when customer’s acts change simplified or outsourcing than the before.

These factors of value are adjusted products as well as services. Therefore, these factors of value are adjusted market offerings. The each four factors of value have different characteristics.

6.2 Methods of Providing Value

The methods of providing the value of four factors are discussed in this section. Considering the characteristics of the methods of providing knowledge, skill, and information are similar. However, the characteristics of method of providing actions are different from other factors. First, the methods of providing information are providers, physical goods, and network. There are three kinds of methods of providing information. First, providers describe the contents of information verbally to customers. Second, the physical goods which are recorded the contents of information are sold. Then, network provides information to customers who have the internet-capable products.

Next, the methods of providing knowledge and skill are similar with the methods of providing information. So, the methods of providing knowledge and skill are providers, physical goods, or network. The methods of providing knowledge and skill are not limited to what providers verbally teach to customers. Knowledge and skill become texts or data. Therefore, knowledge and skill are sold with physical goods or they are provided with network.

Then, the value of action is provided by providers, physical goods, and facilities. There are two kinds of the values of action. The first value of action is created when customers’ actions are acted over. The methods of providing this value are providers or physical goods. These physical goods act over customers’ acts. The second value of action is created when customers’ activities are simplified. The methods of providing this value are physical goods or facilities. These physical goods or facilities are used by customers.

The methods of the factors of market offerings’ value are considered with the characteristics of each factor. Knowledge, skill, and information become texts or data. Therefore, these factors are provided with physical goods or network. The methods of action are providers, physical goods, and facilities.

7. Components of Market Offerings

The components of market offerings are discussed with the components of services, and hierarchy of customer value.

The components of market offerings are categorized the parts of converting benefits and the supplementary elements of the parts. Then, the each component is considered. After that, the components are categorized core part, associated part, supplementary services, and supplementary goods.

First, the parts of converting benefits and the supplementary elements of the parts are considered. The parts of converting benefits are the components of providing value. This value is based on the factors of value. Hence, the parts of converting benefits include the value of knowledge, skill, information, and action. The parts of converting benefits included the method of providing value. The parts of converting benefits are shown in figure 4. The supplementary elements of the parts are associated with the parts of converting benefits. The supplementary elements of the parts help using the parts or improved value of the parts.

Next, core parts, associated parts, supplementary services, and supplementary goods are considered. These elements are shown in figure 5.

The parts of converting benefits are categorized core parts and associated parts. The importance of converting benefits differs between core parts and associated parts. Core parts convert core benefits. Core parts provide value which customers mainly demand for the market offerings. Therefore, core parts are fundamental element of the market offerings.

Associated parts are closely related with core parts. Associated parts do not convert core benefit. Associated parts convert the secondary benefits. The secondary benefits are less important than core benefit. However, the secondary benefits are important for differentiation in the market.

Supplementary elements of the parts are categorized supplementary services as supplementary goods.
Supplementary services are suggested by Wirtz et al. (2012). Supplementary services are categorized facilitating services and enhancing services. Perceived services which suggested by Kotler (2010). Perceived services are similar to information of facilitating services. Supplemental services are processes of exchange and information of the parts. Supplementary goods are customers’ goods. Supplementary goods help using the parts or improved value of the parts.

8. Conclusion

The research shows the factors of value, the methods of providing value, and the components of market offerings. First, this research referred previous researches of service-dominant logic, the function of services, and the components of services. The factors of value, the methods of providing value, and the composition of market offerings are considered on the results of these previous researches.

The factors of value are categorized knowledge, skill, information, and action. The four factors have each characteristic. Organizations consider the methods of providing value which adjust the characteristics of the factor of the value. The methods of providing value are categorized providers, physical goods, network, and facilities.

The composition of market offerings are categorized into the parts of converting benefits and the supplementary elements of the parts. The parts of converting benefits are categorized core parts and associated parts. The importance of benefit differs between core parts and associated parts. Supplementary elements of the parts are categorized supplementary services and supplementary goods.

In the current business management studies, goods-dominant logic is still major back ground concept for developing the management tools. One of the reason of this condition, service-dominant logic is still complicated and difficult to apply for the management concept. Also, several researches of the service-dominant logic are not a purpose of the developing practical management methods. Under this condition, suggested conceptual analysis of service structure is effective for the designing the strategic management concept and methods.

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