



Aalto University
School of Business

23E10000 Service Business Strategy

Spring Term 2019

Prof. Dr. Tomas Falk
Department of Marketing

Introduction – People



Dr. Tomas Falk
Professor of Marketing
Aalto University School of Business
tomas.falk@aalto.fi

Education

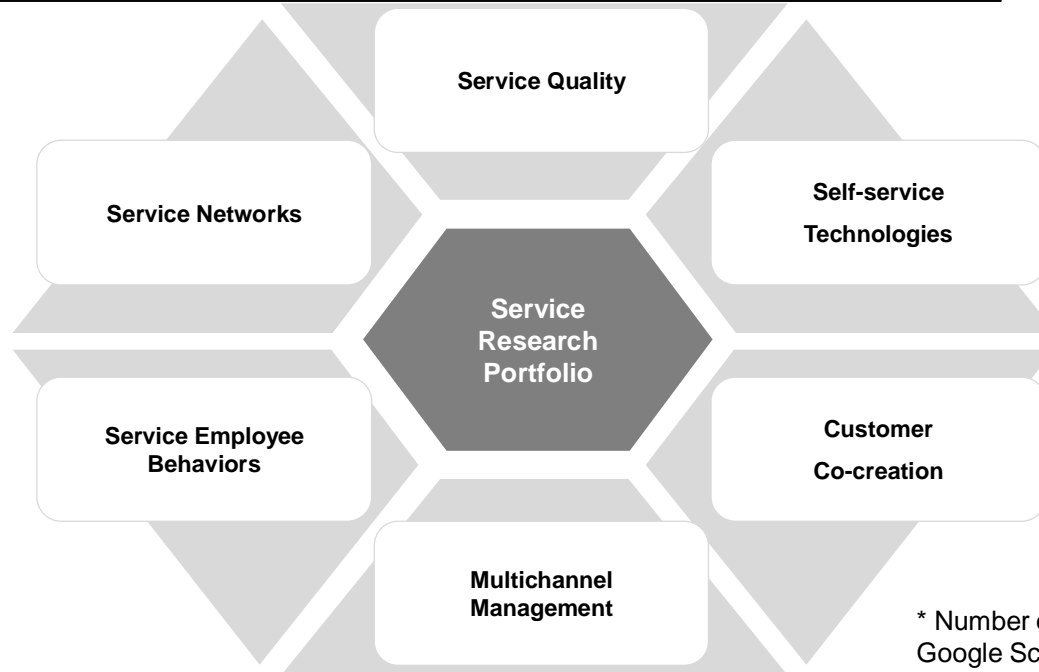
- 2011 Habilitation, German Postdoctoral Degree, University of Mannheim
- 2006 Dr. rer. pol., German Doctoral Degree, similar to a PhD, University of Mannheim
- 2002 Diplom-Kaufmann, German Business Administration Degree, similar to a M.B.A, University of Mannheim and Helsinki School of Economics and Business Administration

Professional Positions

- Since 06/2018** Professor of Marketing, University School of Business
- 2014-2018** Associate Professor of Marketing, Aalto University School of Business
- 2014-2017** Head of Marketing Department, Aalto University School of Business; Adjunct Professor of Marketing, EBS Business School
- 2012-2014** Head of Marketing Department, EBS Business School
- 2010-2014** Chaired Professor of Marketing, EBS Business School
- 2010** Visiting Scholar, University of Maastricht and Penn State University Smeal College of Business
- 2007-2010** Assistant Professor of Marketing, University of Mannheim

Introduction – People

eTransQual: A transaction process-based approach for capturing service quality in online shopping; H.H. Bauer, Falk, T., and M. Hammerschmidt; Journal of Business Research 59 (7), 866-875 (783 citations).*



* Number of citations based on Google Scholar as of Jan. 4, 2019

Introduction – People



Dr. Juho-Petteri Huhtala
Postdoc Researcher
Aalto University School of Business
juho-petteri.huhtala@aalto.fi

Education

- | | |
|------|---|
| 2017 | PhD in Marketing, Aalto University School of Business |
| 2011 | M.Sc. (Econ), Aalto University School of Business |

Research interests:

AI, Strategic Marketing, Innovation Management, Business Models, Business Networks and Ecosystems, Marketing Performance

Professional Positions

- | | |
|----------------------|---|
| Since 10/2017 | Postdoc Researcher, Marketing Department, Aalto University School of Business |
| 2011-2017 | PhD Student, Marketing Department, Aalto University School of Business |
| 2012-2014 | Researcher, Valio |
| 2010-2011 | Research Assistant, Marketing Department, Aalto University School of Business |

Introduction – Course Structure

COURSE	23E10000 Service Business Strategy
Credits	6 ECTS
Status	Master's Program of Marketing, advanced studies
Assessment Methods and Criteria	<ol style="list-style-type: none">1. Pre-assignment: reflection on a service innovation and PechaKucha presentation (20%)2. Class participation (10%) (80% attendance in lectures required)3. Individual reflection note (10%)4. Group presentations (20%)5. Take home exam (40%)
Course book	Wilson et al. (2012): Services Marketing: Integrating Customer Focus Across the Firm, 2nd ed.
People	Prof. Dr. Tomas Falk, Dr. Juho-Petteri Huhtala

Introduction – Course Structure

Date	Session	Contents	Readings
Jan. 8th, 2019 10.00-12.00 p.m. (E 107)	1	<ul style="list-style-type: none"> Information on the Course Organization Chapter 1: Foundations of Service Business Strategy 	<p>#1: Frei, F. X. (2008), "The Four Things a Service Business Must Get Right," <i>Harvard Business Review</i>, 86 (4), 70-80.</p> <p>Wilson, A., V. A. Zeithaml, M. J. Bitner, and D. D. Gremler (2012), <i>Services Marketing: Integrating Customer Focus Across the Firm</i> (2nd ed.). Maidenhead, Berkshire: McGraw Hill; Chapters 1-4.</p>
Jan. 10th, 2019 10.00-12.00 p.m. (E 107)	2	<ul style="list-style-type: none"> Chapter 2: Service Quality Management Group work kick-off 	<p>#2: Chase, R. B. and S. Dasu (2001), "Want to Perfect Your Company's Service? Use Behavioral Science," <i>Harvard Business Review</i>, 79 (6), 78-84.</p> <p>#3: Parasuraman, A., V. Zeithaml, and L. L. Berry (1985), "A Conceptual Model of Service Quality and Its Implications for Future Research," <i>Journal of Marketing</i>, 49 (4), 41-50.</p> <p>#4: Parasuraman, A., V. A. Zeithaml and L. L. Berry (1988), "SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality," <i>Journal of Retailing</i>, 64 (1), 12-40.</p> <p>Wilson, A., V. A. Zeithaml, M. J. Bitner, and D. D. Gremler, <i>Services Marketing: Integrating Customer Focus Across the Firm</i> (2nd ed.). Maidenhead, Berkshire: McGraw Hill; Chapters 5 & 6</p>
Jan. 15th, 2019 10.00-12.00 p.m. (E 107)	3	<ul style="list-style-type: none"> PechaKucha Presentation Chapter 2: Service Quality Management Lean Service Creation Session 	<p>#5: Parasuraman, A, V.A. Zeithaml, and A. Malhotra A. (2005), "E-S-QUAL – A Multiple-Item Scale for Assessing Electronic Service Quality," <i>Journal of Service Research</i>, 7 (3), 213-233.</p>
Jan. 17th, 2019 10.00-12.00 p.m. (E 107)	4	<ul style="list-style-type: none"> PechaKucha Presentation Chapter 3: Service Recovery Management Lean Service Creation Session 	<p>#6: De Matos, C. A., J. L. Henrique, and C. A. Vargas Rossi (2007), "Service Recovery Paradox: A Meta-Analysis," <i>Journal of Service Research</i>, 10 (1), 60-77.</p>

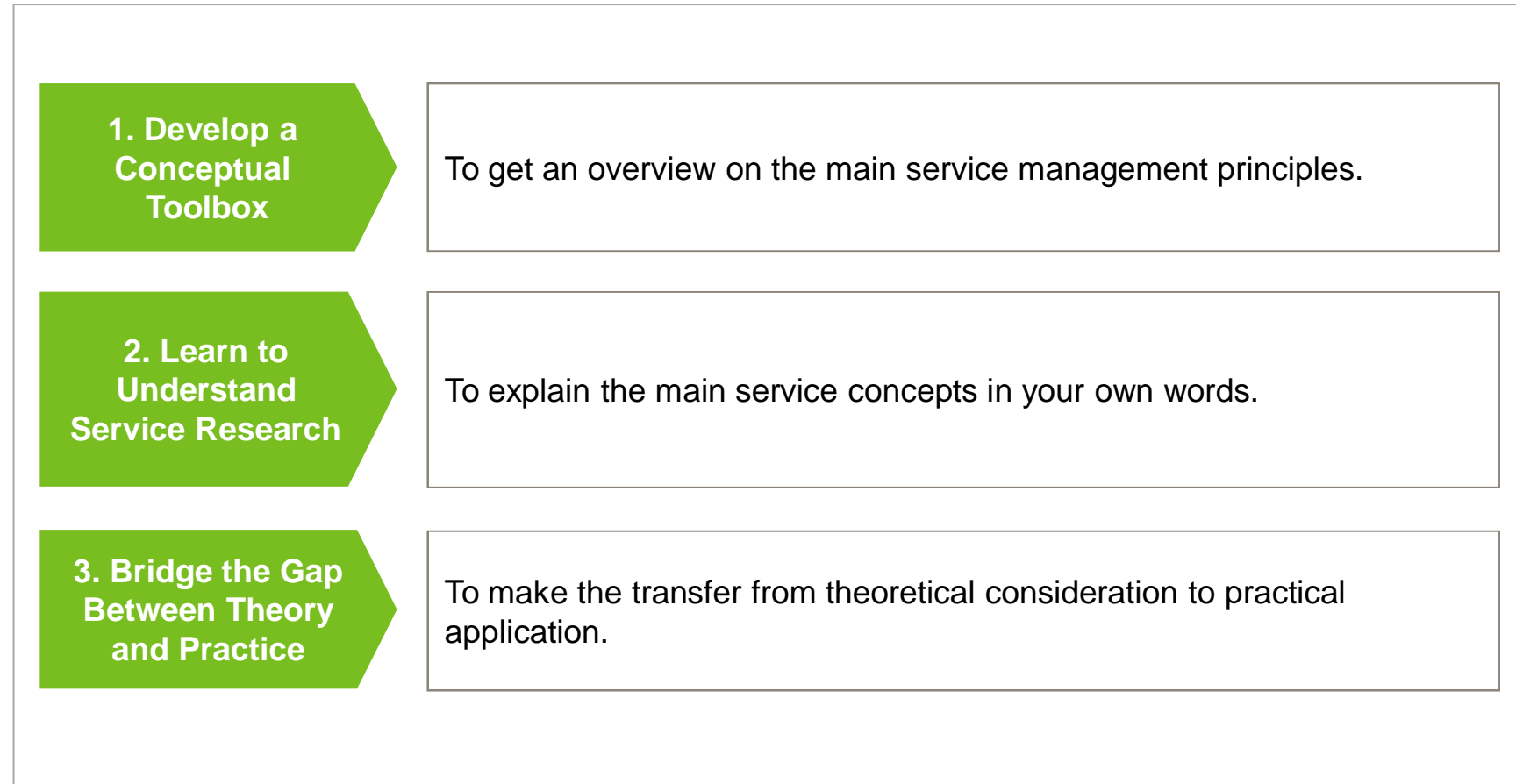
Introduction – Course Structure

Date	Session	Content	Readings
Jan. 22nd, 2019 10.00-12.00 p.m. (E 107)	5	<ul style="list-style-type: none"> • PechaKucha Presentation • Chapter 4: Service and Technology • Lean Service Creation Session 	<p>#7: Meuter, M. L., Ostrom, A.M., Roundtree, R. I., and M. J. Bitner (2000), "Self-Service Technologies: Understanding Customer Satisfaction with Technology-Based Service Encounters," <i>Journal of Marketing</i>, 64 (3), 50-64.</p> <p>#8: Parasuraman, A. and C. L. Colby (2015), "An Updated and Streamlined Technology Readiness Index: TRI 2.0," <i>Journal of Service Research</i>, 18(1), 59-74.</p>
Jan. 24th, 2019 10.00-12.00 p.m. (E 107)	6	<ul style="list-style-type: none"> • PechaKucha Presentation • Chapter 4: Service and Technology • Lean Service Creation Session 	<p>#9: Huang, M.-H. and R. T. Rust (2018), "Artificial Intelligence in Service", <i>Journal of Service Research</i>, 21 (2), 155–172.</p>
Jan. 29th, 2019 10.00-12.00 p.m. (E 107)	7	<ul style="list-style-type: none"> • PechaKucha Presentation • Chapter 5: Service in B2B-settings • Lean Service Creation Session 	<p>#10: Ulaga, W. and W. J. Reinartz (2011), "Hybrid Offerings: How Manufacturing Firms Combine Goods and Services Successfully," <i>Journal of Marketing</i>, 75 (6), 5-23.</p>
Jan. 31st, 2019 10.00-12.00 p.m. (E 107)	8	<ul style="list-style-type: none"> • Guest lecture by Teemu Laiho, COO/CFO Blok • Lean Service Creation Session 	<p>Check www.blok.ai</p> <p>(SUBMIT REFLECTION NOTE BY FEB 3RD, 2019)</p>

Introduction – Course Structure

Date	Session	Topic	Readings
Feb. 5th, 2019 10.00-12.00 p.m. (E 107)	9	<ul style="list-style-type: none"> • PechaKucha Presentation • Chapter 5: Service in B2B-settings • Lean Service Creation Session 	#11: Worm, S., Bharadwaj, S.G., Ulaga, W., and W. J. Reinartz (2017), "When and Why Do Customer Solutions Pay Off in Business Markets?," <i>Journal of the Academy of Marketing Science</i> , 45(4), 490-512.
Feb. 7th, 2019 10.00-12.00 p.m. (E 107)	10	Lean Service Creation Session	SUBMIT GROUP PRESENTATION FILE BY FEB. 11, 2019
Feb. 12th, 2018 10.00-12.00 p.m. (E 107)	11	Group Presentations	
Feb. 14th, 2018 10.00-12.00 p.m. (E 107)	12	Group Presentations Exam Preparation	

Introduction – Content Overview



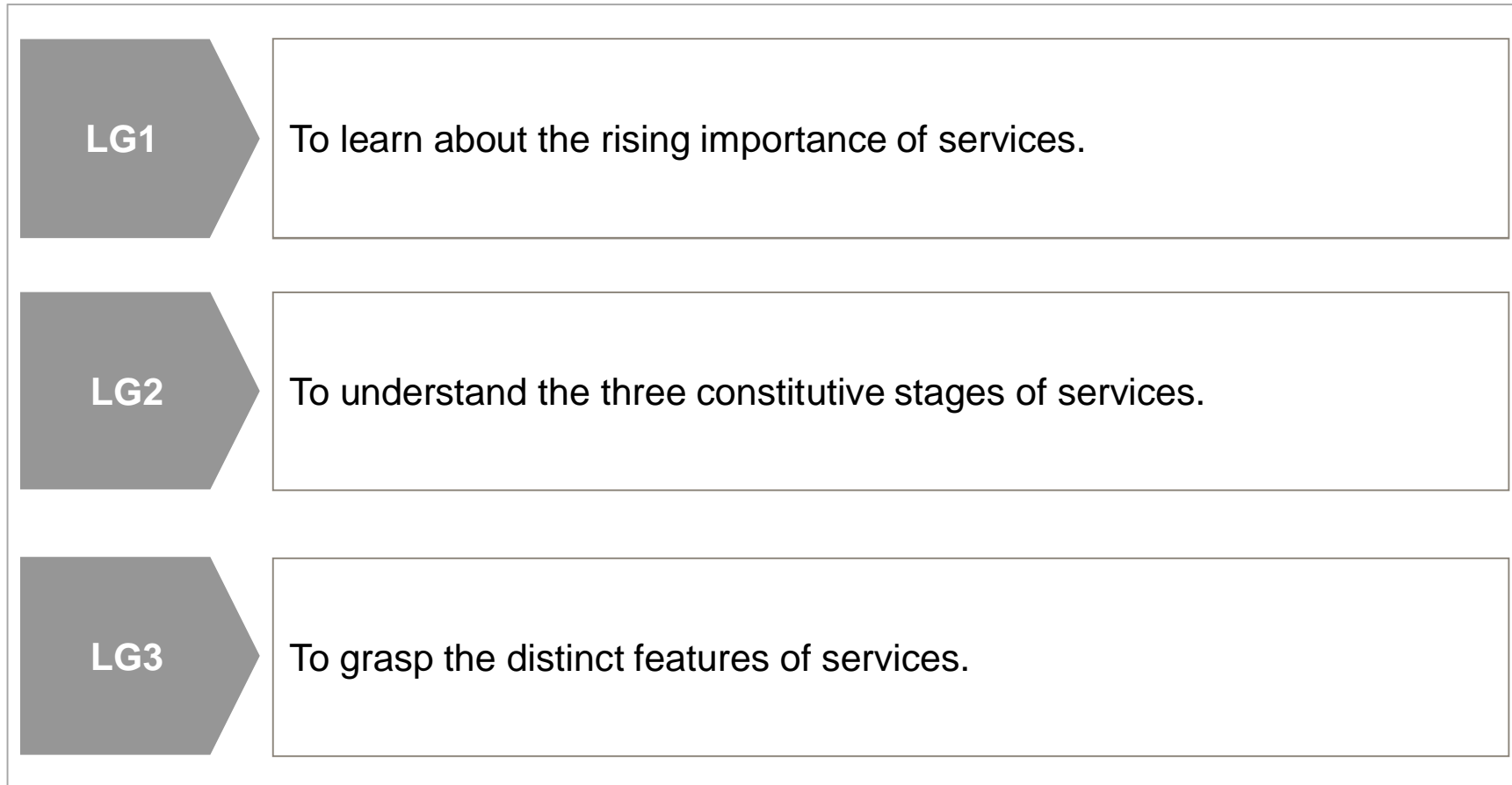
Introduction – Learning Goals

Foundations of Service Management	Service Quality Management	Service Recovery Management	Service and Technology	Service in B2B settings
<ul style="list-style-type: none">• Why services?• Defining service• Three-stage service framework• Service management “mantras”	<ul style="list-style-type: none">• GAP-model• Measuring service quality with SERVQUAL, E-S-Qual, and M-S-Qual• Identifying “Moments of Truth”	<ul style="list-style-type: none">• Customer responses to failures• Designing service recovery systems• Service guarantees	<ul style="list-style-type: none">• Self-service technologies• Technology Readiness• Artificial intelligence in service	<ul style="list-style-type: none">• Hybrid offerings• Customer centricity

1. Foundations of Service Business Strategy

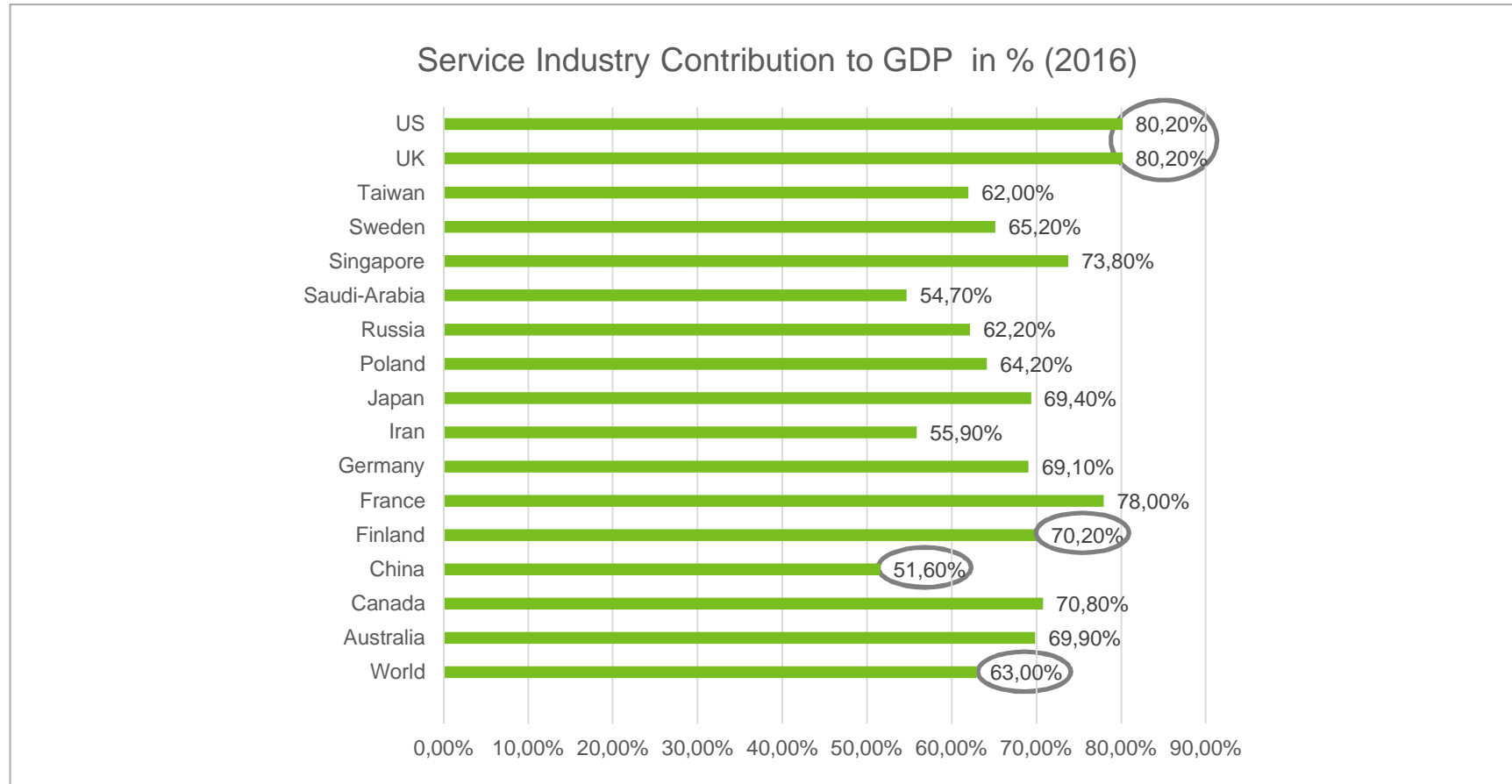
- 1. Foundations of Service Business Strategy
 - 1.1 Why Study Services?
 - 1.2 Defining Services
 - 1.3 Service Management Mantras
 - 1.4 Take-aways

1. Foundations of Service Business Strategy – Learning Goals



1. Foundations of Service Business Strategy

1.1 Why Study Services?



1. Foundations of Service Management

1.1 Why Study Services?

“Companies lose more than USD 62 billion due to poor customer service.”

(New Voice Media, Forbes.com 2017)

80% of businesses believe they provide excellent customer service, but only 8% of customers agree.

(2017 Customer Service Benchmark Report)

“(...) firms must do more to ensure that managers understand how their customers perceive the firm’s products and services and why.”

(Hult et al. 2017, p. 37)

1. Foundations of Service Management

1.1 Why Study Services?

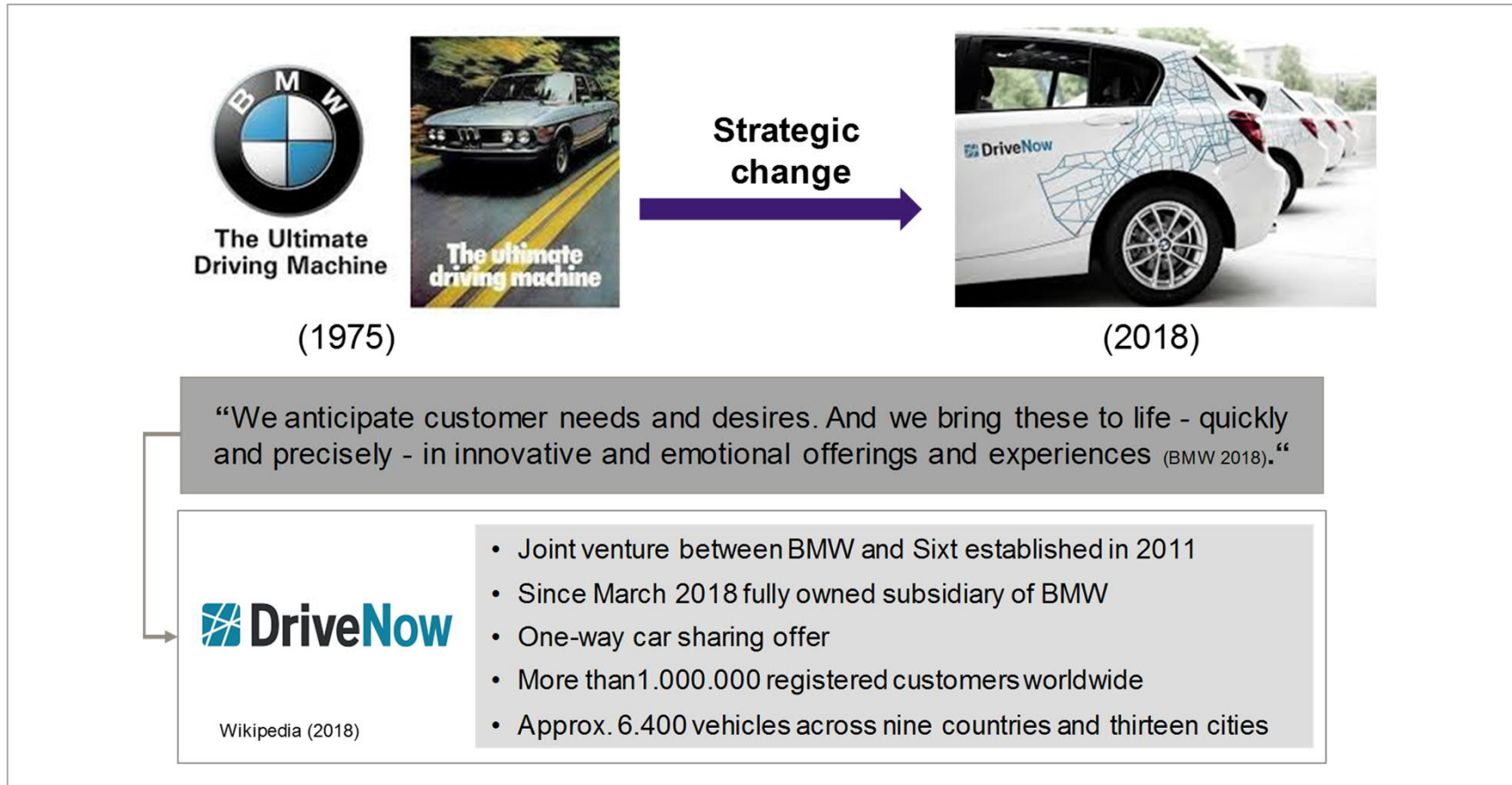


"We offer the **BEST CUSTOMER EXPERIENCE**.
We have a unique customer understanding through our
ongoing, direct dialogue with our customers. We focus
solely on premium products and services."

(BMW Strategy Statement 2018)

1. Foundations of Service Management

1.1 Why Study Services?



1. Foundations of Service Management

1.1 Why Study Services?

DriveNow in Helsinki (video about DriveNow San Francisco)



Started: May 24, 2017

Concept: Operated as a franchise model by OP Financial Group

Number of customers: Approx. 20 000

Vehicles: 150 different BMW and MINI models

Business area: Helsinki metropolitan area ~ 40 km²

Revenue model: 0,57€/min, approx. 30 € registration fee

Average car trip duration: 20 to 25 minutes

1. Foundations of Service Management

1.1 Why Study Services?

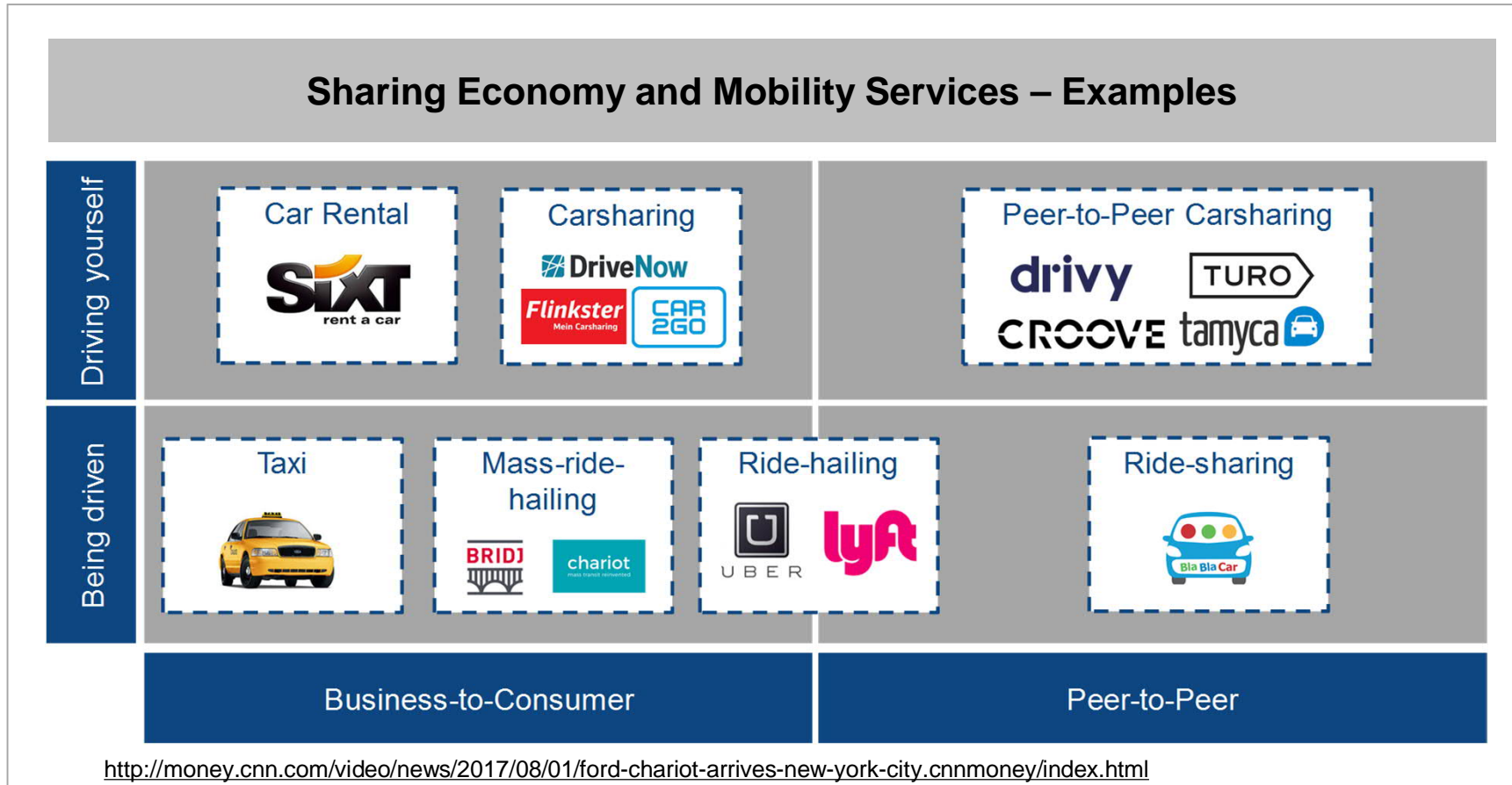
DriveNow – Timeline and Development



- 2008 BMW introduces a unit called “project i”, which is responsible for developing new ideas on transport with reduced environmental impact.
- 2009 BMW conducts field trials – 590 Mini E (=electric) cars are leased to customers in the UK, Germany, and the US.
- 2011 BMW starts a partnership with Sixt and initiates DriveNow in Munich (soon after in Berlin).
- 2012 Car sharing grows rapidly. DriveNow is introduced in other German cities (Düsseldorf, Cologne and Hamburg) and in the US (San Francisco).
- 2014 DriveNow expands to additional international markets. It is launched in Austria (Vienna) and UK (London).
- 2015 Expansion to Denmark (Copenhagen) and Sweden (Stockholm).
DriveNow pulls out of San Francisco due to problems with parking permit regulations.
- 2016 DriveNow introduced in Belgium (Brussels) and Italy (Milan).
- 2017 OP Bank operates DriveNow in Finland (Helsinki).
DriveNow is introduced in Portugal (Lisbon).
- 2018 BMW takes full ownership of DriveNow.

1. Foundations of Service Management

1.1 Why Study Services?



1. Foundations of Service Business Strategy

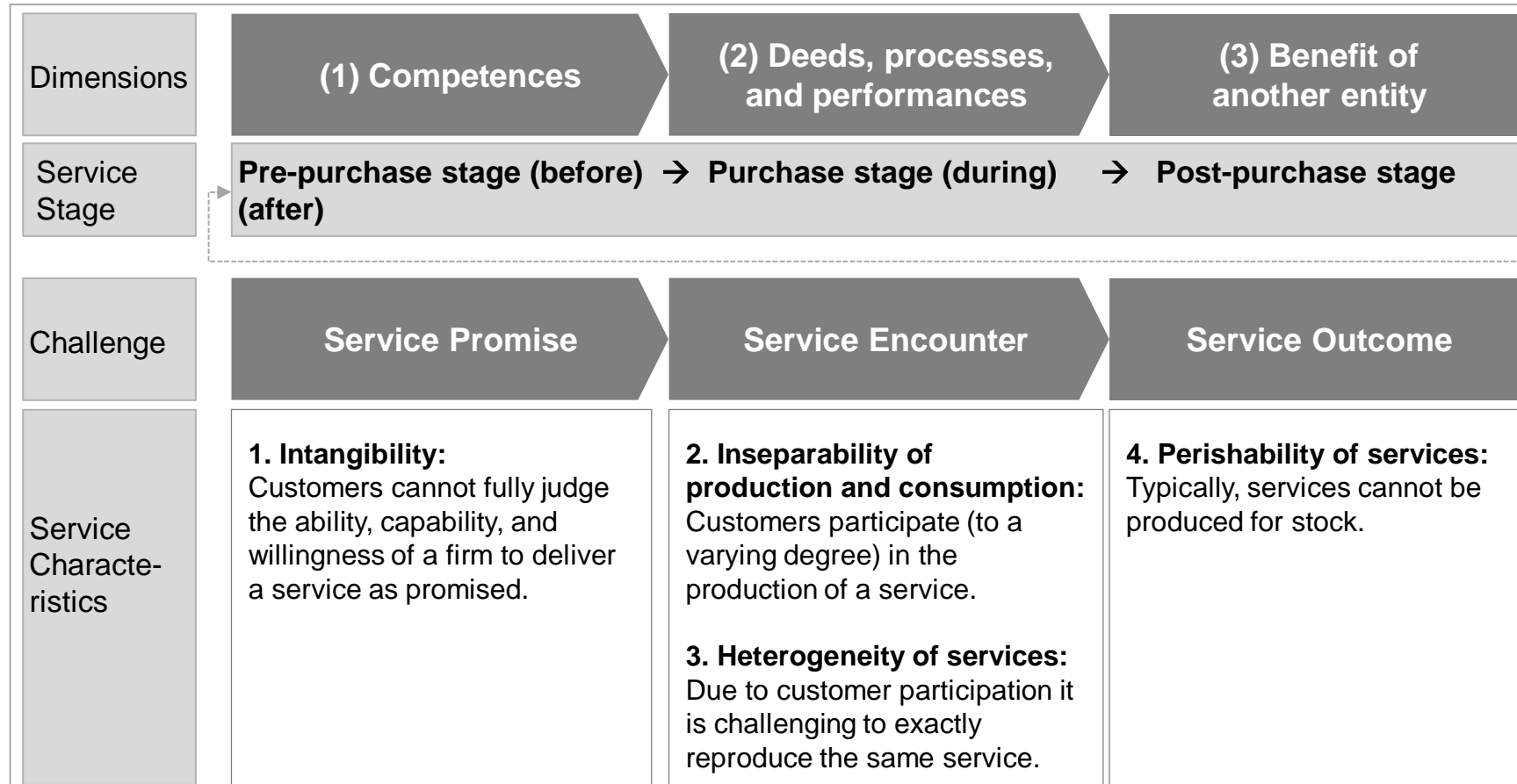
1.2 Defining Services

„Service is the application of specialized competences (skills and knowledge) (1),
through deeds, processes, and performances (2)
for the benefit of another entity or the entity itself (self-service) (3).”

Vargo/Lusch (2004), p. 326.
Wilson et al. (2012), p. 5

1. Foundations of Service Business Strategy

1.2 Defining Services – Three Stages of Service



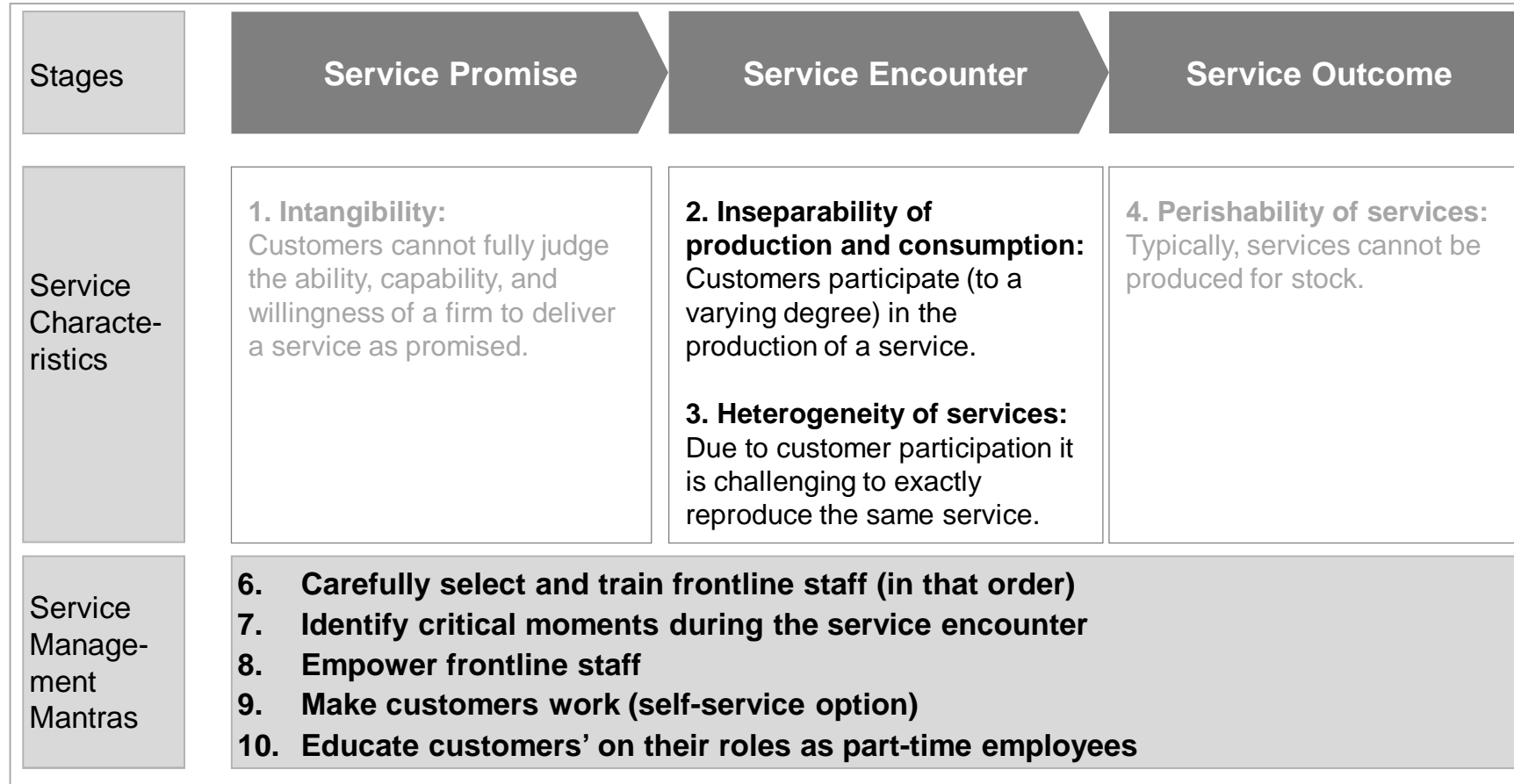
1. Foundations of Service Business Strategy

1.3 Service Management Mantras

Stages	Service Promise	Service Encounter	Service Outcome
Service Characteristics	<p>1. Intangibility: Customers cannot fully judge the ability, capability, and willingness of a firm to deliver a service as promised.</p>	<p>2. Inseparability of production and consumption: Customers participate (to a varying degree) in the production of a service.</p> <p>3. Heterogeneity of services: Due to customer participation it is challenging to exactly reproduce the same service.</p>	<p>4. Perishability of services: Typically, services cannot be produced for stock.</p>
Service Management Mantras	<ol style="list-style-type: none"> 1. Do not overpromise 2. Provide information 3. Give customers access (e.g., trial and test periods) 4. Offer guarantees, apply for seals of quality and point to references 5. Consider customer self-selection: Offer different service categories/price tiers 		

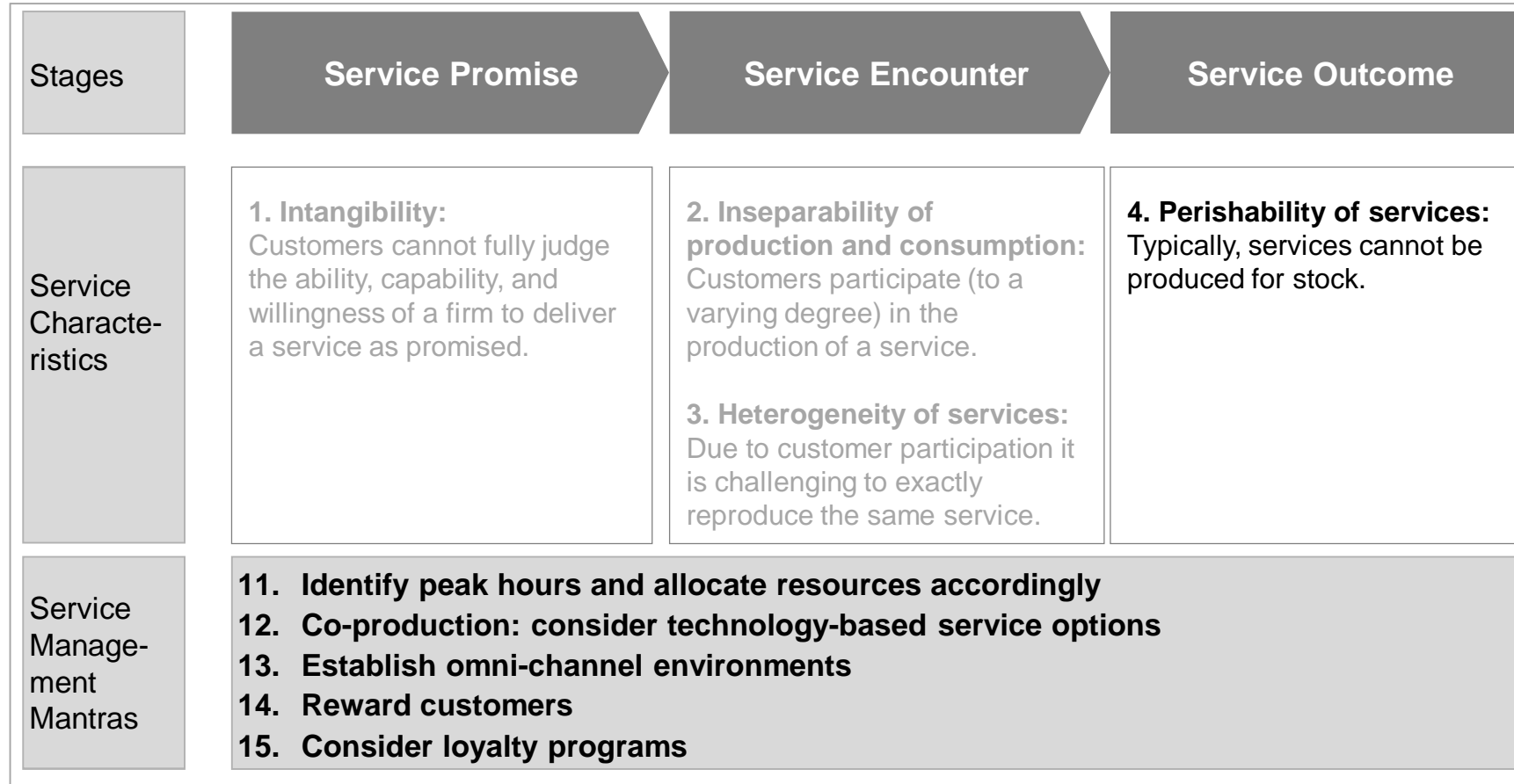
1. Foundations of Service Business Strategy

1.3 Service Management Mantras



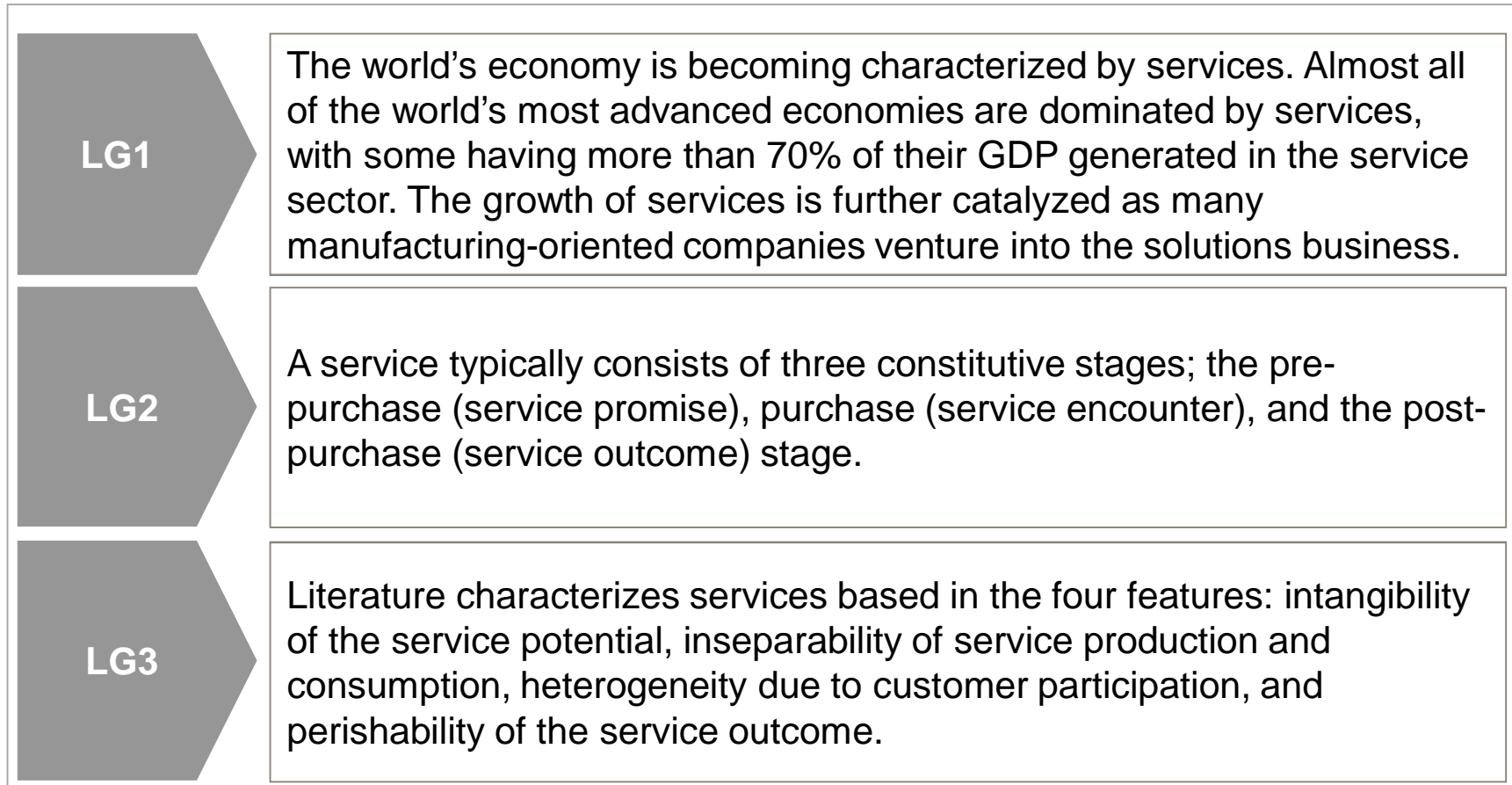
1. Foundations of Service Business Strategy

1.3 Service Management Mantras



1. Foundations of Service Business Strategy

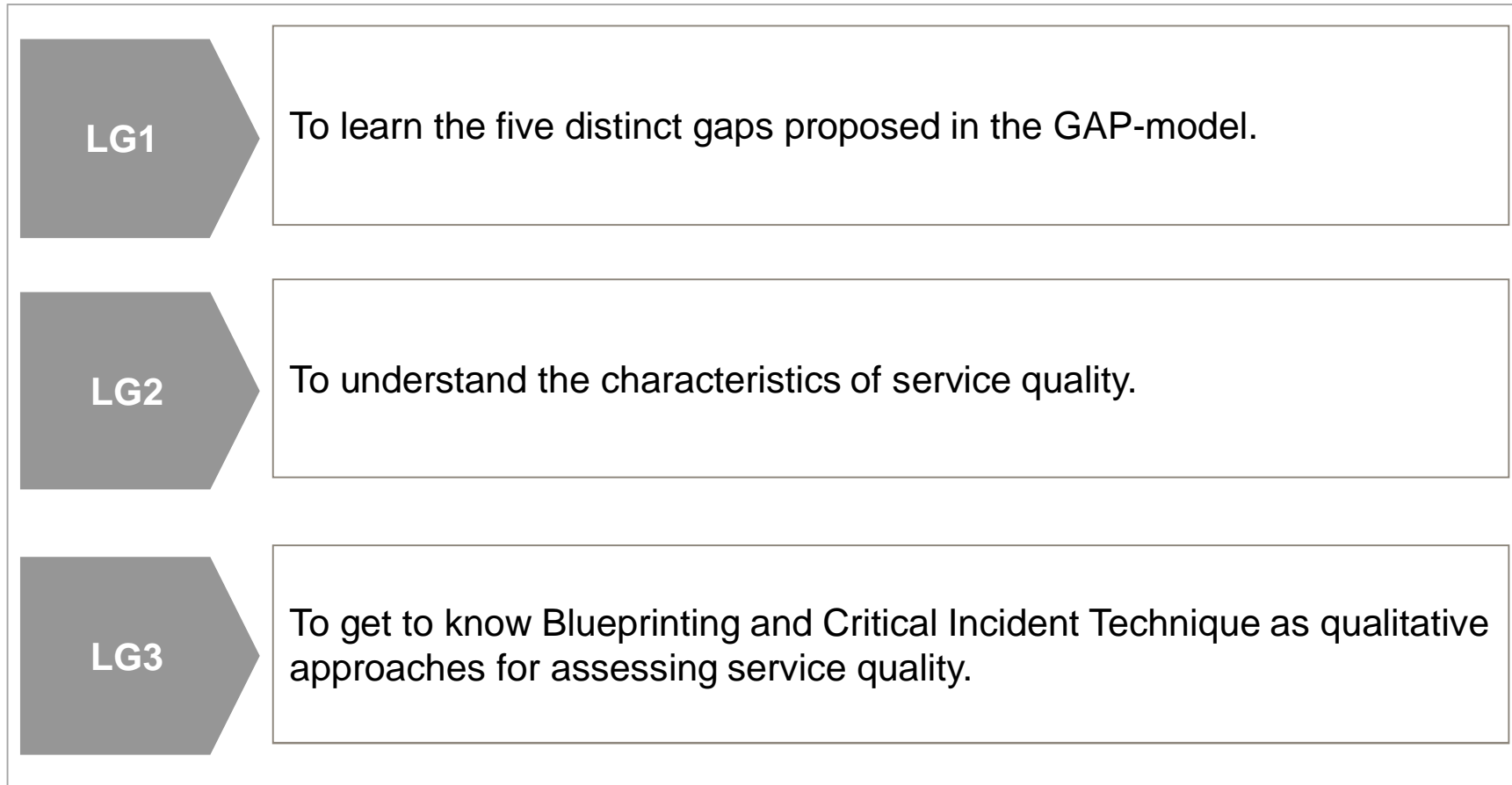
1.4 Take-aways



2. Managing Service Quality

- 2. Managing Service Quality
 - 2.1 Defining Service Quality
 - 2.2 The GAP-Model of Service Quality
 - 2.3 SERVQUAL
 - 2.4 E-Service Quality
 - 2.5 Mobile Service Quality
 - 2.6 Blueprinting
 - 2.7 Critical Incident Technique
 - 2.8 Take-aways

2. Managing Service Quality – Learning Goals



2. Managing Service Quality

2.1 Defining Service Quality

Service quality is...

“the customer’s judgment of overall excellence of the service provided in relation to the quality that was expected.”

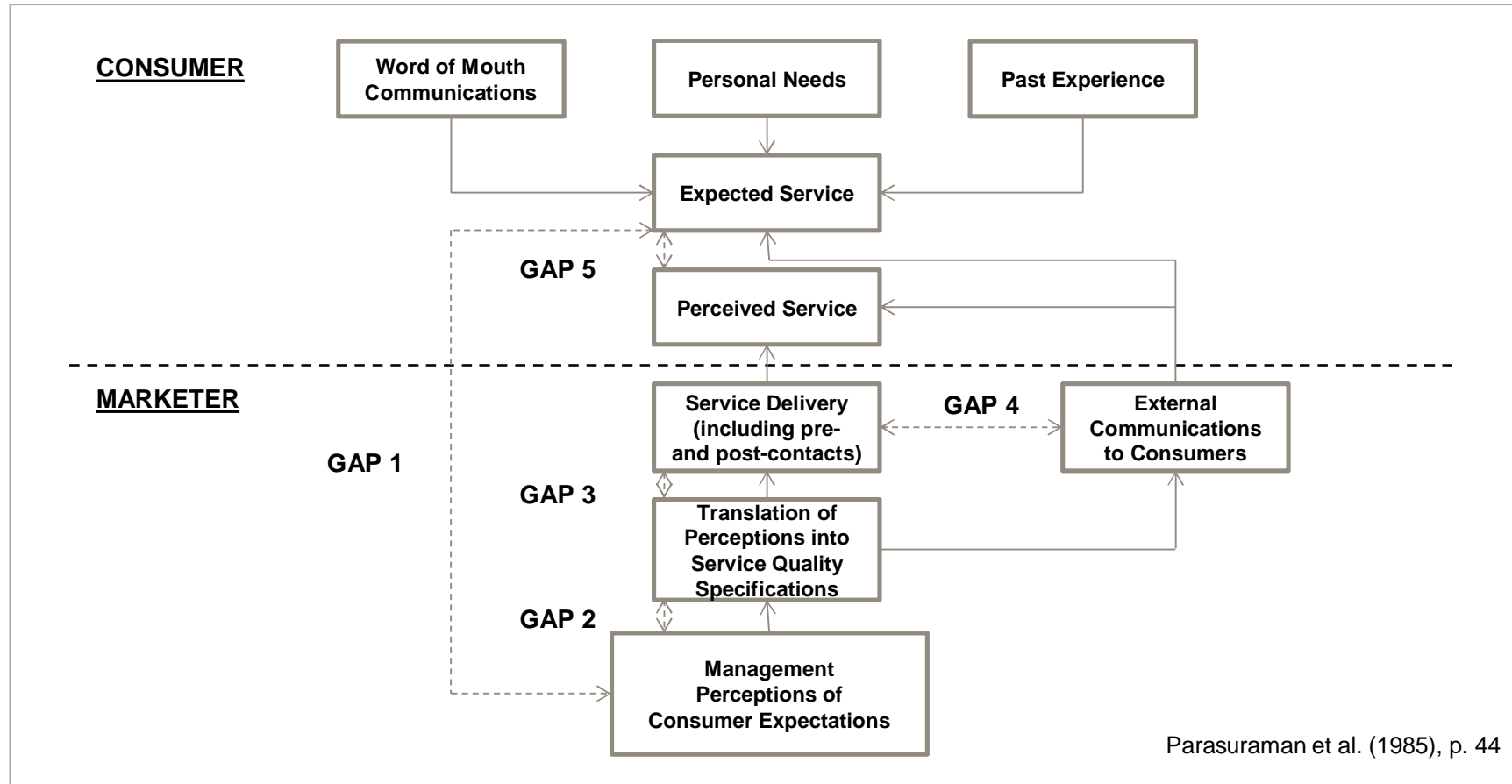
Service quality assessments are particularly formed on judgments of:

- physical environment quality
- interaction quality
- outcome quality.

Wilson et al. (2012), p. 5; 73

2. Managing Service Quality

2.2 The GAP-Model of Service Quality



2. Managing Service Quality

2.2 The GAP-Model of Service Quality

Types of Quality Gap	Proposed Solutions
<p style="text-align: center;">Gap 1: The Knowledge Gap</p>	<p><i>Suggestion: Educate management about what customers expect</i></p> <ul style="list-style-type: none"> • Increase interactions between customers and management. • Facilitate and encourage communication between frontline employees and management. • Implement an effective customer feedback system that includes satisfaction research complaint content analysis and customer panels. • Sharpen market research procedures, including questionnaire and interview design, sampling, and field implementation, and repeat research studies once in a while.

Lovelock & Wirtz (2011), p. 410

2. Managing Service Quality

2.2 The GAP-Model of Service Quality

Types of Quality Gap	Proposed Solutions
<p style="text-align: center;">Gap 2: The Policy Gap</p>	<p><i>Suggestion: Establish the right service processes and specify standards</i></p> <ul style="list-style-type: none"> • Get the customer service processes right: <ul style="list-style-type: none"> • Use a rigorous, systematic, and customer-centric process for designing and redesigning customer service processes. • Standardize repetitive work tasks to ensure consistency and reliability by substituting hard technology for human contact and improving work methods (soft technology) • Develop tiered service offerings that meet customer expectations; consider premium, standard, and economy-level offers to allow customers to self-segment according to their needs. • Establish for each step in service delivery a set of clear service quality goals that are challenging, realistic, and explicitly designed to meet customer expectations.

Lovelock & Wirtz (2011), p. 410

2. Managing Service Quality

2.2 The GAP-Model of Service Quality

Types of Quality Gap	Proposed Solutions
Gap 3: The Delivery Gap	<p><i>Suggestion: Ensure that performance meets standards that are based on customer needs and expectations</i></p> <ul style="list-style-type: none"> • Ensure that customer service teams are motivated and able to meet service standards: <ul style="list-style-type: none"> • Improve recruitment with a focus on employee-job fit • Train employees on the technical and soft skills needed to perform their assigned tasks effectively, including interpersonal skills, especially for dealing with customers under stressful conditions. • Clarify employee roles and ensure that employees understand how their jobs contribute to customer satisfaction • Build cross-functional teams that can offer customer-centric solutions • Measure performance, provide regular feedback, and reward customer service • Ensure that employees working on internal support jobs provide good service to their own internal customers, the frontline staff. • Educate customers so that they can perform their roles and responsibilities in service delivery effectively.

Lovelock & Wirtz (2011), p. 410

2. Managing Service Quality

2.2 The GAP-Model of Service Quality

Types of Quality Gap	Proposed Solutions
<p style="text-align: center;">Gap 4: The Communication Gap</p>	<p><i>Suggestion: Close the internal and external communications gaps by ensuring that communications promises are realistic and correctly understood by customers.</i></p> <ul style="list-style-type: none"> • Educate managers responsible for sales and marketing communications about operational capabilities: <ul style="list-style-type: none"> • Seek inputs from frontline employees and operations personnel when new communications programs are being developed • Let service providers preview advertisements and other communications before customers are exposed to them • Get sales staff to involve operations staff in face-to-face meetings with customers • Develop internal educational and motivational advertising campaigns to strengthen understanding and integration among the marketing, operations, and human resource functions, and to standardize service delivery across different locations

Lovelock & Wirtz (2011), p. 410

2. Managing Service Quality

2.2 The GAP-Model of Service Quality

Types of Quality Gap	Proposed Solutions
<p style="text-align: center;">Gap 4: The Communication Gap (continued)</p>	<p><i>Suggestion: Close the internal and external communications gaps by ensuring that communications promises are realistic and correctly understood by customers.</i></p> <ul style="list-style-type: none"> • Be specific with promises and manage customers' understanding of communication content: <ul style="list-style-type: none"> • Pre-test all advertising, brochures, telephone scripts, and website content prior to external release to see if target audience interprets them as the firm intends (if not, revise and retest). Make sure that the advertising content reflects those service characteristics that are most important to customers. Let them know what is and what is not possible. Tell them why. • Identify and explain, in real time, the reasons for shortcomings in service performance, highlighting those that cannot be controlled by the firm. • Document beforehand what tasks and performance guarantees are included in an agreement or contract. After the completion of the work, explain what work was performed in relation to a specific billing statement.

Lovelock & Wirtz (2011), p. 410

2. Managing Service Quality

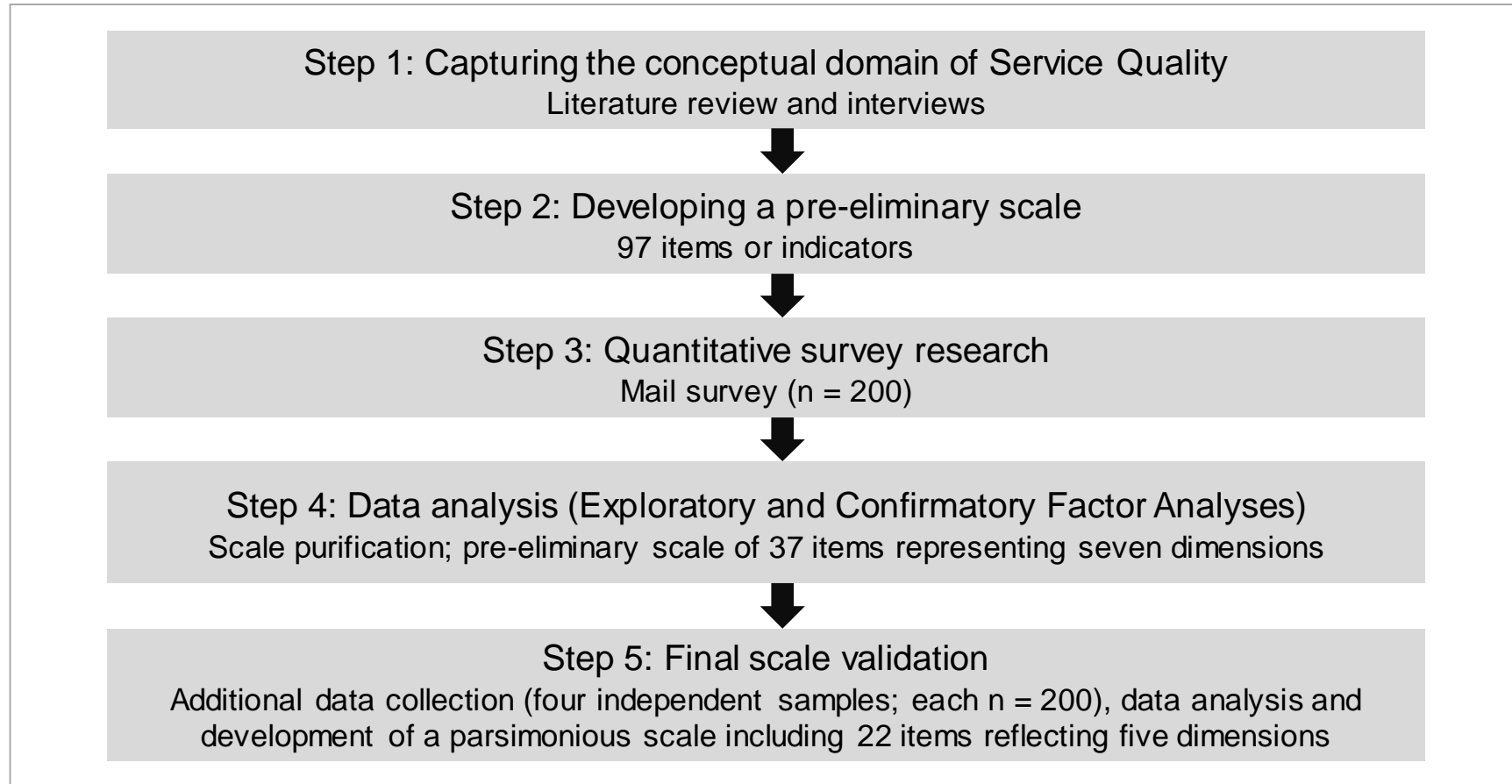
2.2 The GAP-Model of Service Quality

Types of Quality Gap	Proposed Solutions
<p style="text-align: center;">Gap 5: The Perception Gap</p>	<p><i>Suggestion: Tangibilize and communicate the service quality Delivered</i></p> <ul style="list-style-type: none"> • Develop service environments and physical evidence cues that are consistent with the level of service provided. • For credence services, keep customers informed during service delivery on what is being done, and give debriefings after the delivery so that customers and appreciate the quality of the service they received. • Provide physical evidence (e.g., for repairs, show customers the damaged components that were removed).

Lovelock & Wirtz (2011), p. 410

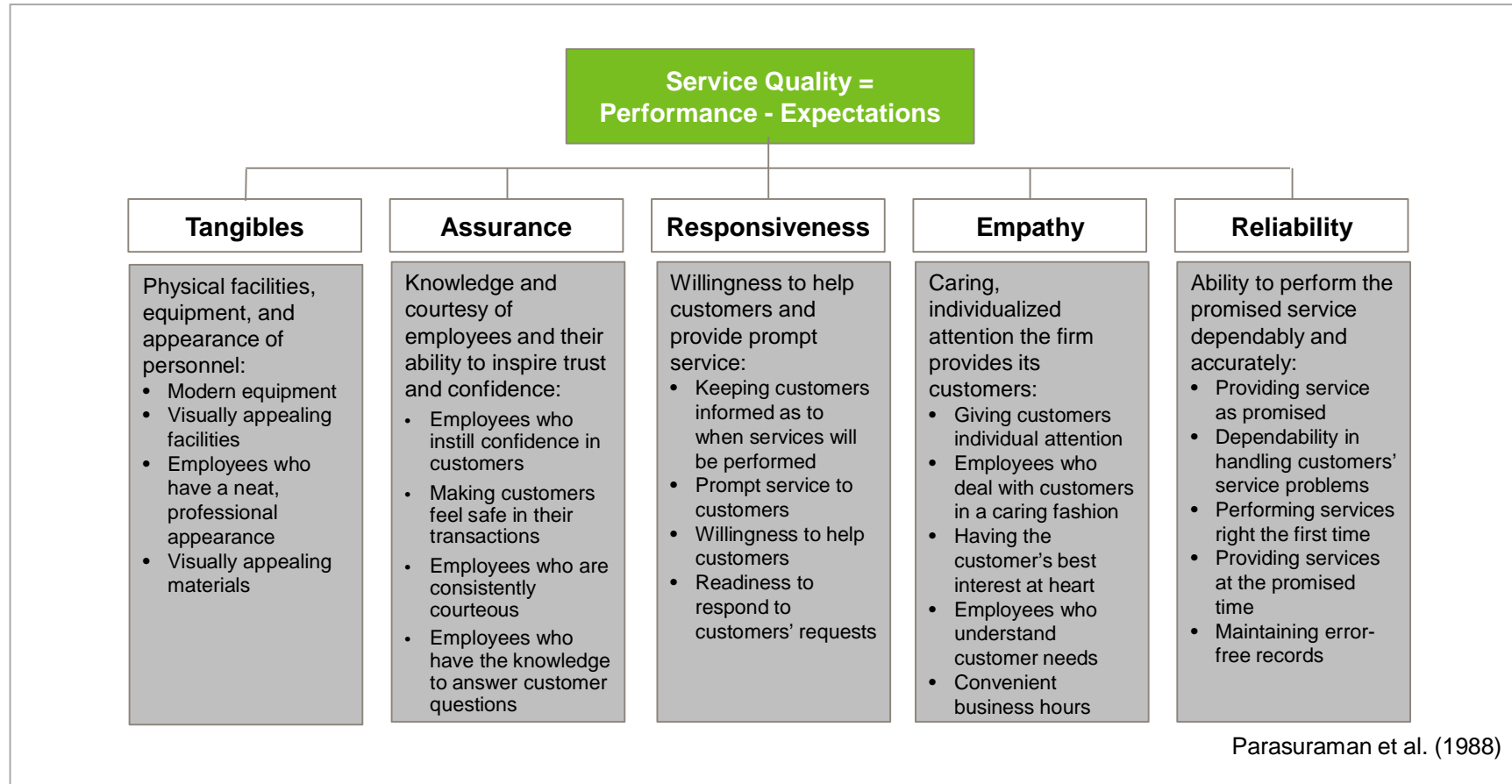
2. Managing Service Quality

2.3 SERVQUAL – Scale Development



2. Managing Service Quality

2.3 SERVQUAL – Measurement Scale



2. Managing Service Quality

2.3 SERVQUAL – Scale Application

Dimension "Tangibles" Scale items	1=strongly disagree	2=somewhat disagree	3=neutral	4=somewhat agree	5=strongly agree
Company XY has up-to-date equipment.			x (=3)		
Company XYs physical facilities are visually appealing.				x (=4)	
Company XYs employees are well dressed and appear nice.					x (=5)
Company XY uses visually appealing materials.					x (=5)
Index score for "Tangibles"	$(3+4+5+5)/4 = 17/4 = 4,25$				

2. Managing Service Quality

2.3 SERVQUAL – Scale Application

Dimension-specific index scores	1=strongly disagree	2=somewhat disagree	3=neutral	4=somewhat agree	5=strongly agree
Tangibles			4,25		
Assurance			2,75		
Responsiveness			2,5		
Empathy			2,75		
Reliability			4,25		
Index score for "Service Quality"	$(4,25 + 2,75 + 2,5 + 2,75 + 4,25) / 5 = 16,5 / 4 = 3,3$				

2. Managing Service Quality

2.3 SERVQUAL – Scale Application

Journal of Retailing

APPENDIX

THE SERVQUAL INSTRUMENT^a

DIRECTIONS: This survey deals with your opinions of _____ services. Please show the extent to which you think firms offering _____ services should possess the features described by each statement. Do this by picking one of the seven numbers next to each statement. If you strongly agree that these firms should possess a feature, circle the number 7. If you strongly disagree that these firms should possess a feature, circle 1. If your feelings are not strong, circle one of the numbers in the middle. There are no right or wrong answers—all we are interested in is a number that best shows your expectations about firms offering _____ services.

- E1. They should have up-to-date equipment.
- E2. Their physical facilities should be visually appealing.
- E3. Their employees should be well dressed and appear neat.
- E4. The appearance of the physical facilities of these firms should be in keeping with the type of services provided.
- E5. When these firms promise to do something by a certain time, they should do so.
- E6. When customers have problems, these firms should be sympathetic and reassuring.
- E7. These firms should be dependable.
- E8. They should provide their services at the time they promise to do so.
- E9. They should keep their records accurately.
- E10. They shouldn't be expected to tell customers exactly when services will be performed. (–)^b

DIRECTIONS: The following set of statements relate to your feelings about XYZ. For each statement, please show the extent to which you believe XYZ has the feature described by the statement. Once again, circling a 7 means that you strongly agree that XYZ has that feature, and circling a 1 means that you strongly disagree. You may circle any of the numbers in the middle that show how strong your feelings are. There are no right or wrong answers—all we are interested in is a number that best shows your perceptions about XYZ.

- P1. XYZ has up-to-date equipment.
- P2. XYZ's physical facilities are visually appealing.
- P3. XYZ's employees are well dressed and appear neat.
- P4. The appearance of the physical facilities of XYZ is in keeping with the type of services provided.
- P5. When XYZ promises to do something by a certain time, it does so.
- P6. When you have problems, XYZ is sympathetic and reassuring.
- P7. XYZ is dependable.
- P8. XYZ provides its services at the time it promises to do so.
- P9. XYZ keeps its records accurately.
- P10. XYZ does not tell customers exactly when services will be performed. (–)

Parasuraman et al. (1988)

2. Managing Service Quality

2.3 SERVQUAL – Scale Application

Journal of Retailing

APPENDIX
THE SERVQUAL INSTRUMENT*

DIRECTIONS: This survey deals with your opinions of _____ services. Please show the extent to which you think firms offering _____ services should possess the features described by each statement. Do this by picking one of the seven numbers next to each statement. If you strongly agree that these firms should possess a feature, circle the number 7. If you strongly disagree that these firms should possess a feature, circle 1. If your feelings are not strong, circle one of the numbers in the middle. There are no right or wrong answers—all we are interested in is a number that best shows your expectations about firms offering _____ services.

E1. They should have up-to-date equipment.
E2. Their physical facilities should be visually appealing.
E3. Their employees should be well dressed and appear neat.
E4. The appearance of the physical facilities of these firms should be in keeping with the type of services provided.
E5. When these firms promise to do something by a certain time, they should do so.
E6. When customers have problems, these firms should be sympathetic and reassuring.
E7. These firms should be dependable.
E8. They should provide their services at the time they promise to do so.
E9. They should keep their records accurately.
E10. They shouldn't be expected to tell customers exactly when services will be performed. (-)*

DIRECTIONS: The following set of statements relate to your feelings about XYZ. For each statement, please show the extent to which you believe XYZ has the feature described by the statement. Once again, circling a 7 means that you strongly agree that XYZ has that feature, and circling a 1 means that you strongly disagree. You may circle any of the numbers in the middle that show how strong your feelings are. There are no right or wrong answers—all we are interested in is a number that best shows your perceptions about XYZ.

P1. XYZ has up-to-date equipment.
P2. XYZ's physical facilities are visually appealing.
P3. XYZ's employees are well dressed and appear neat.
P4. The appearance of the physical facilities of XYZ is in keeping with the type of services provided.
P5. When XYZ promises to do something by a certain time, it does so.
P6. When you have problems, XYZ is sympathetic and reassuring.
P7. XYZ is dependable.
P8. XYZ provides its services at the time it promises to do so.
P9. XYZ keeps its records accurately.
P10. XYZ does not tell customers exactly when services will be performed. (-)

Parasuraman et al. (1988), pp. 38

Some principles for successfully applying SERVQUAL

- Survey-based approach (online and offline)
- Ask customers to rate a specific service aspect based on the 22 SERVQUAL-indicators (e.g., on a 1-7 or 1-10 scale)
- Only measure service performance (=SERVPERF)
- Use separate measures for the five SERVQUAL factors (i.e., reliability, assurance, responsiveness, empathy, and reliability)
- Assess global service quality and customer satisfaction judgments separately

2. Managing Service Quality

2.3 SERVQUAL – Scale Evaluation

Pros	Cons
<ul style="list-style-type: none">+ Based on a robust empirical approach+ Allows to condense important service quality aspects+ Integrative framework that might be adapted to specific service contexts+ Enables managers to quantify service quality	<ul style="list-style-type: none">- Separate assessment of perceptions and expectations very time-consuming (logic questionable)- Inflation of expectations (if explicitly measured)- Lower reliability and validity compared to „performance-only“ measures (e.g., SERVPERF)

2. Managing Service Quality

2.4 E-Service Quality

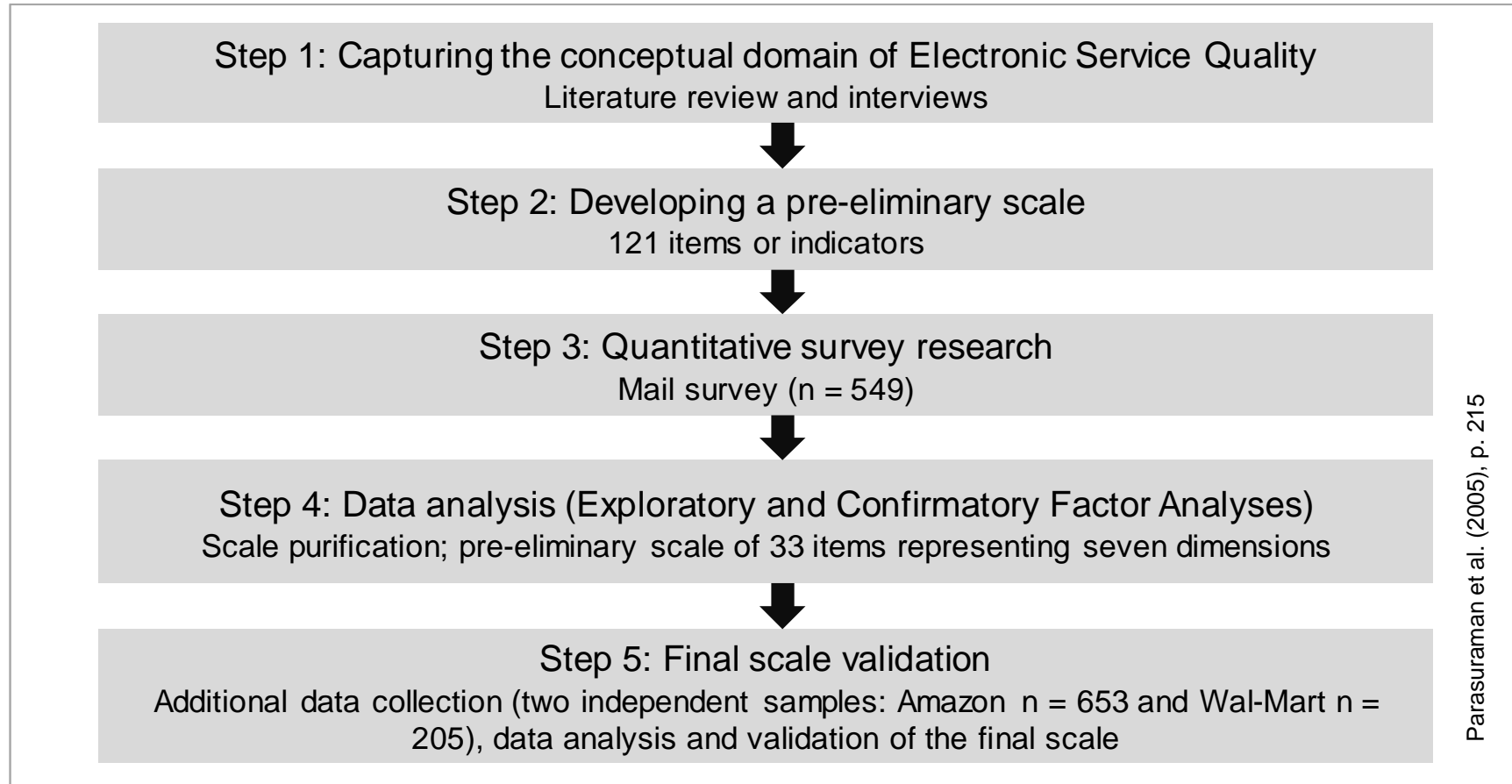
E-service quality...

is defined broadly to encompass all phases of a customer's interactions with a Web site: the extent to which a Web site facilitates efficient and effective shopping, purchasing, and delivery

(Parasuraman et al. 2005, p. 217).

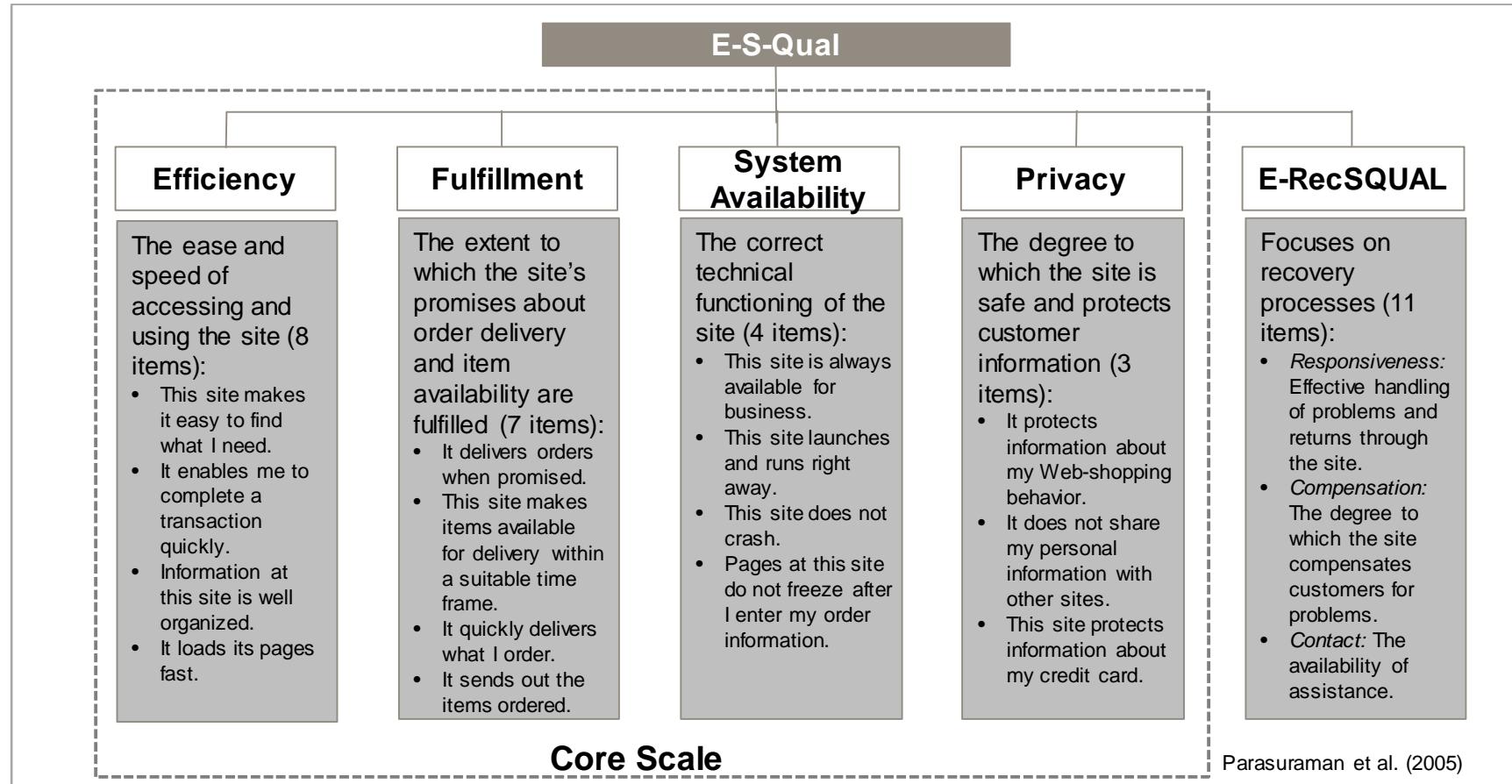
2. Managing Service Quality

2.4 E-Service Quality – The E-S-QUAL Scale (shortened process)



2. Managing Service Quality

2.4 E-Service Quality – The E-S-QUAL Scale



2. Managing Service Quality

2.4 E-S-Qual – Scale Application

Dimension "System Availability" Scale items	1=strongly disagree	2=somewhat disagree	3=neutral	4=somewhat agree	5=strongly agree
This site is always available for business.			x (=3)		
This site launches and runs right away.			x (=3)		
This site does not crash.		x (=2)			
Pages at this site do not freeze after I enter my order information.		x (=2)			
Index score for "System Availability"	$(3+3+2+2)/4 = 10/4 = 2,5$				

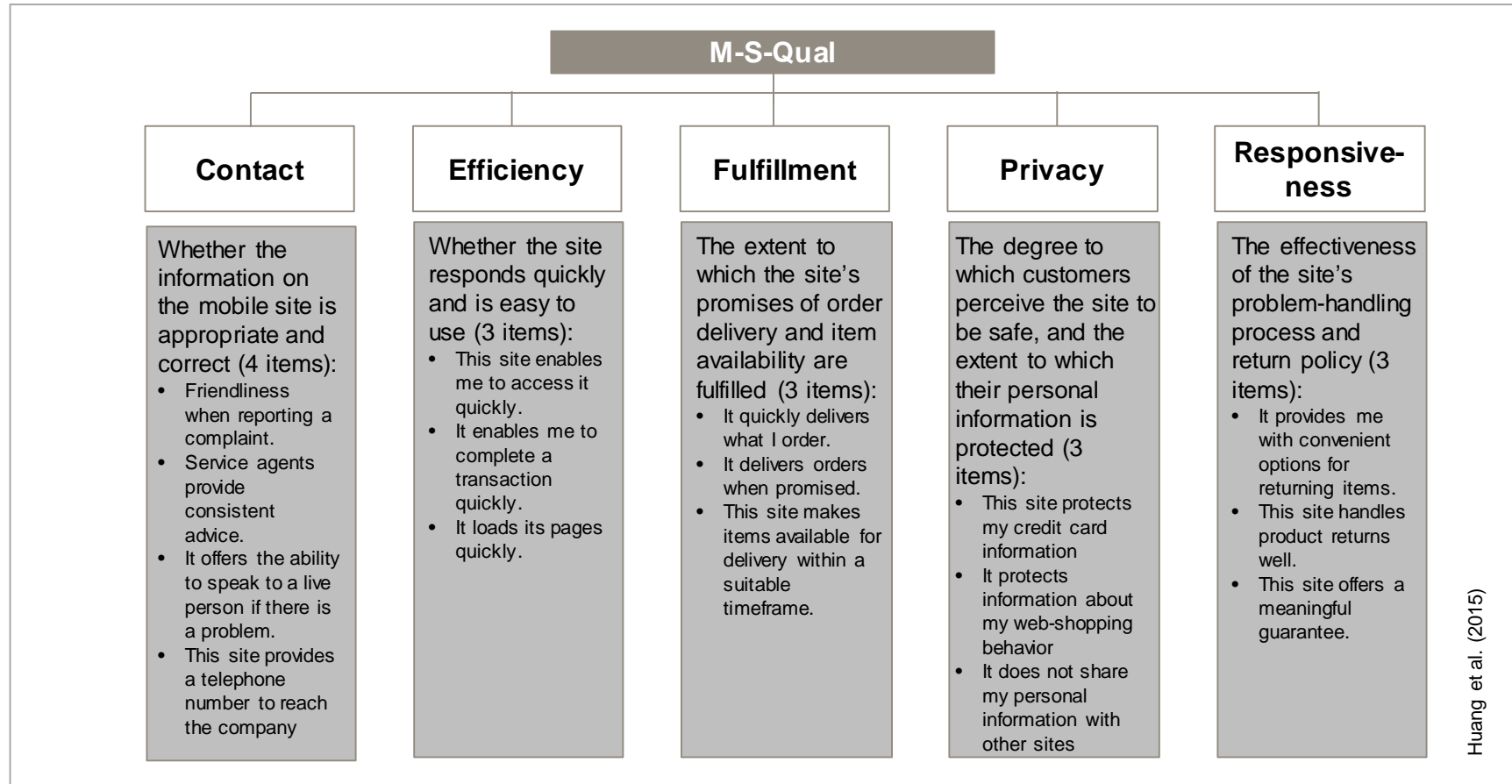
2. Managing Service Quality

2.4 E-S-Qual – Scale Application

Dimension-specific index scores	1=strongly disagree	2=somewhat disagree	3=neutral	4=somewhat agree	5=strongly agree
System Availability			2,75		
Efficiency			4,5		
Privacy			2,5		
Fulfillment			4,0		
Index score for "Electronic Service Quality"	$(2,75 + 4,5 + 2,5 + 4,0) / 4 = 13,75 / 4 = 3,43$				

2. Managing Service Quality

2.5 Mobile Service Quality – M-S-Qual



2. Managing Service Quality

2.6 Blueprinting

Service blueprinting...

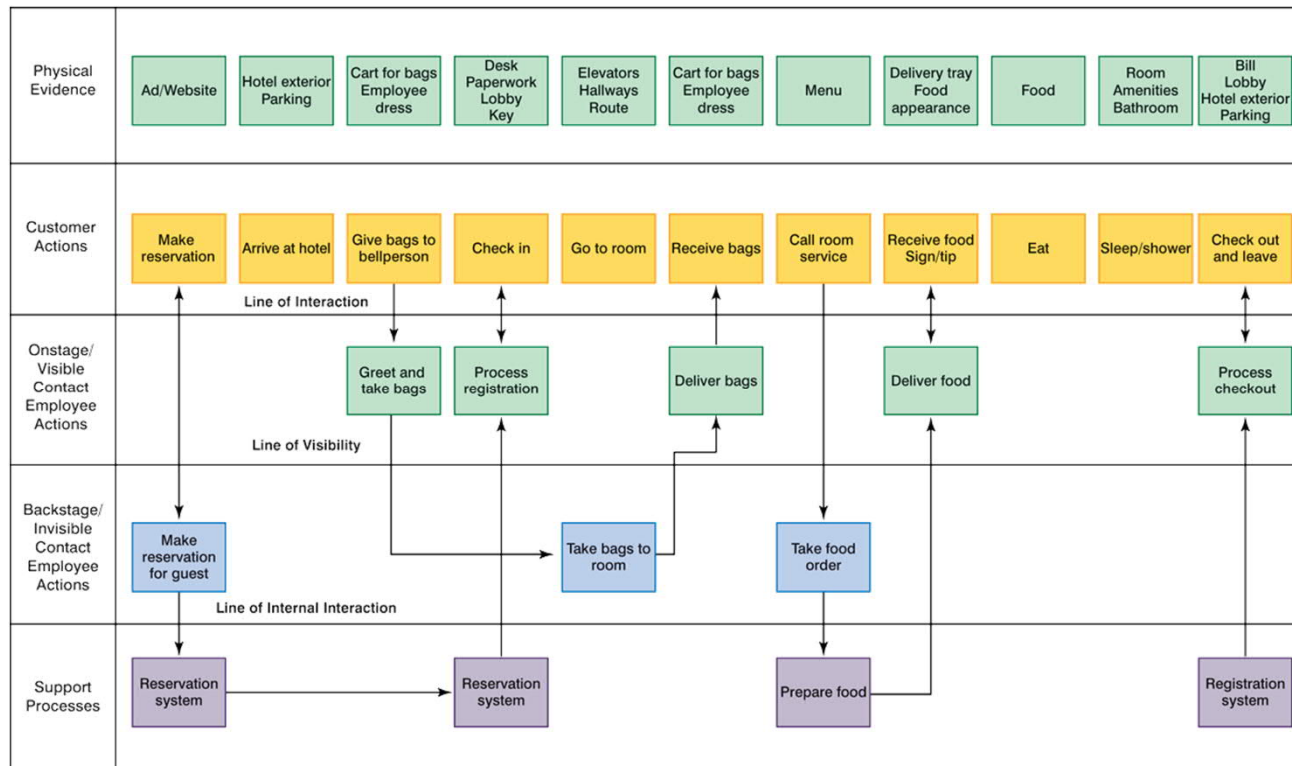
is a tool for simultaneously depicting the service process, the points of customer contact, and the evidence of service from the customer's point of view.

Wilson et al. (2012), p. 182

2. Managing Service Quality

2.6 Blueprinting

Blueprint for overnight hotel stay service

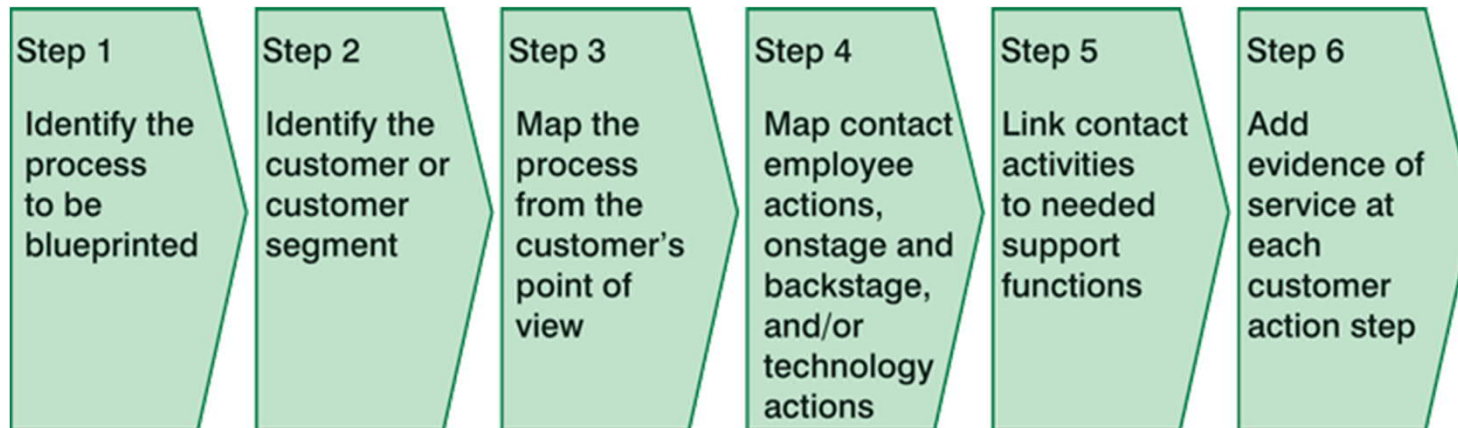


Wilson et al. (2012), p. 182

2. Managing Service Quality

2.6 Blueprinting

Blueprint for overnight hotel stay service



Wilson et al. (2012), p. 187

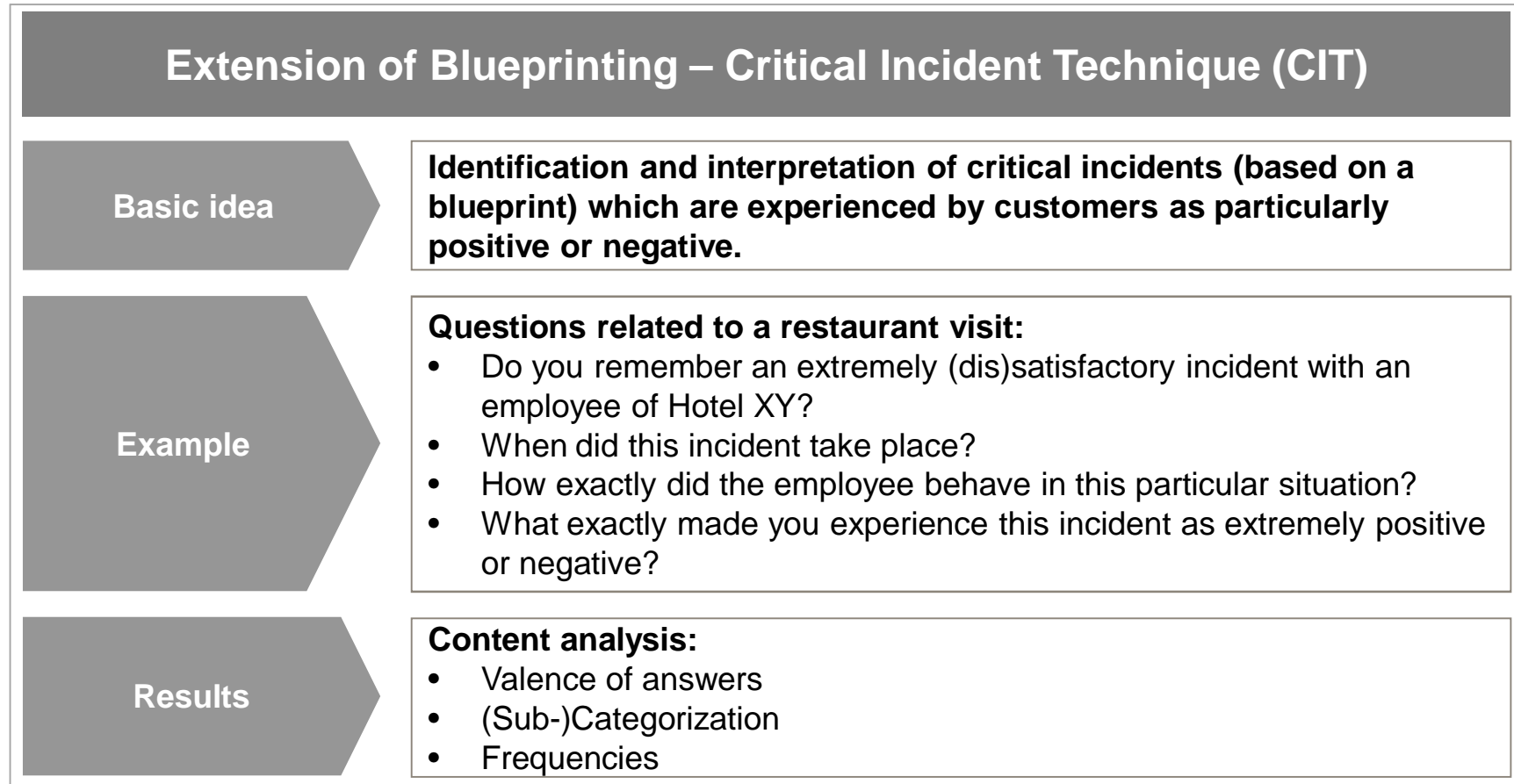
2. Managing Service Quality

2.6 Blueprinting

Evaluation of Blueprinting	
Pros	Cons
<ul style="list-style-type: none">+ Connects back office with front office processes+ Customer touchpoints are visualized/ identified+ Important internal interfaces are identified+ Blueprint approach as a valuable basis for subsequent service quality analyses	<ul style="list-style-type: none">- Qualitative research very resource-consuming (money, people, time etc.)- Purely descriptive approach

2. Managing Service Quality

2.7 Critical Incident Technique



2. Managing Service Quality

2.7 Critical Incident Technique

Evaluation of the Critical Incident Technique (CIT)	
Pros	Cons
<ul style="list-style-type: none">+ Explorative approach; allows to detect truly new insights+ Very detailed (qualitative) information+ Critical incidents shape customers' attitudes and long-term behavior towards the service firm and their social environment+ CIT might be used as a tool for (implicit) complaint analysis	<ul style="list-style-type: none">- Non-critical, common incidents are not counted for- Qualitative research very resource-consuming (money, people, time etc.)- Validity of results might be questionable

2. Managing Service Quality

2.8 Take-aways

LG1

The GAP-model proposed four strategic gaps to minimize the discrepancy between customer expectations and perceived performance: the knowledge gap, the policy gap, the communication gap, and the delivery gap.

LG2

SERVQUAL identifies five distinct dimensions of service quality: tangibles (service potential), assurance (service potential and encounter); responsiveness and empathy (both related to the service encounter); and reliability (service outcome).

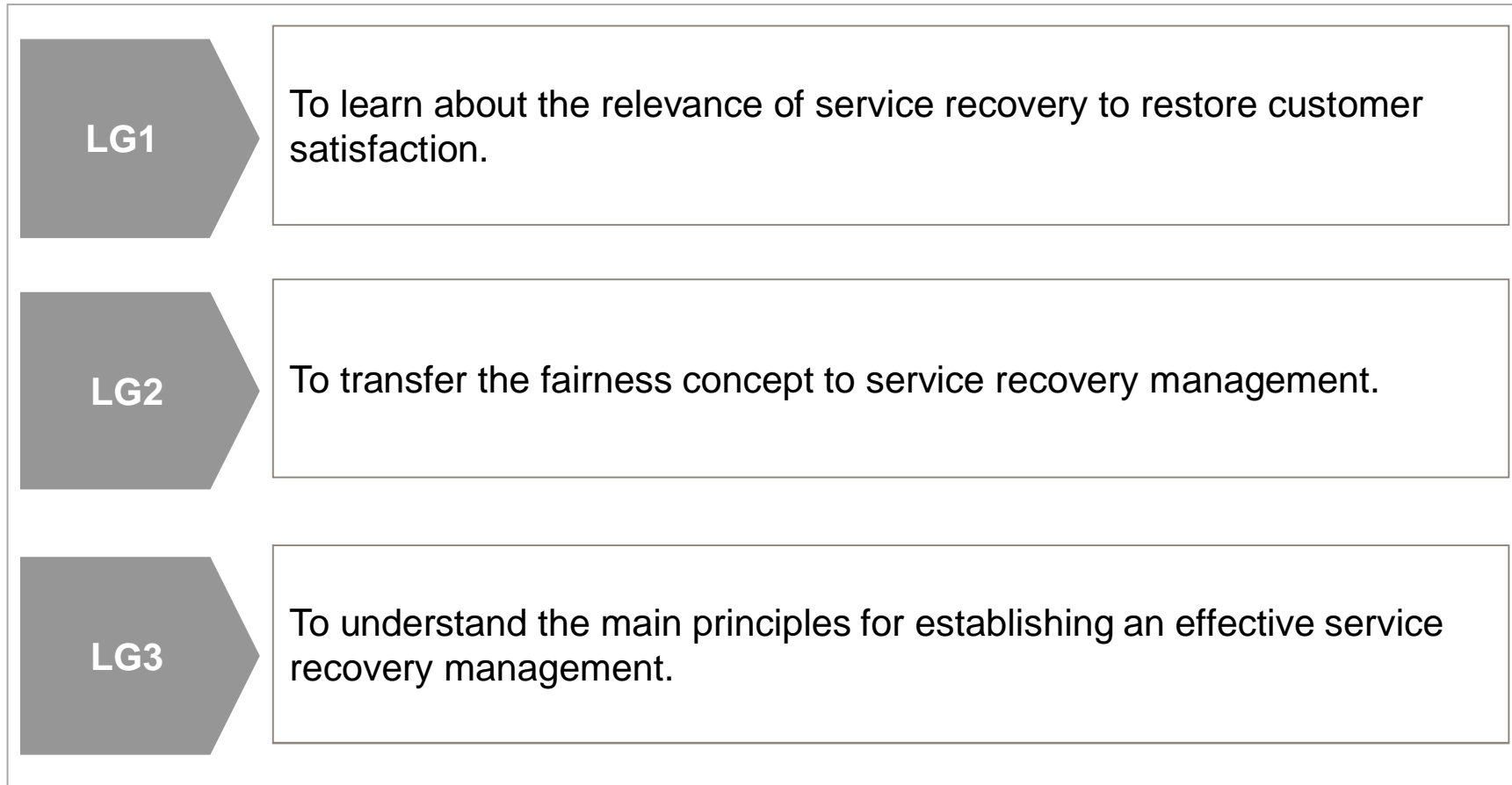
LG3

Blueprinting and the Critical Incident Technique (CIT) are qualitative approaches for exploring shortcomings in service quality. Blueprinting structures service delivery processes, while CIT identifies painpoints during service delivery.

3. Managing Service Recovery

- 3.1 Conceptualizing Service Recovery
- 3.2 Customer Response Categories to Service Failures
- 3.3 Fairness During Service Recovery Episodes
- 3.4 Principles of Effective Service Recovery Systems
- 3.5 Service Guarantees
- 3.6 Take-aways

3. Managing Service Recovery – Learning Goals



3. Managing Service Recovery

3.1 Conceptualizing Service Recovery

Service recovery...

(1) occurs after product or service failures

Service failures may refer to some consumer-perceived breakdown in a firm's service system (e.g., flight delays, underprepared food, incorrect account balances, etc.) (Maxham 2001).

(2) subsumes company efforts to correct a problem

Service recovery is defined as the process by which a firm attempts to rectify a service delivery failure (Maxham 2001).

(3) may create a paradoxical situation

The Service Recovery Paradox (SRP) is defined as a situation in which a customer's postfailure satisfaction exceeds prefailure satisfaction (De Matos et al. 2007).

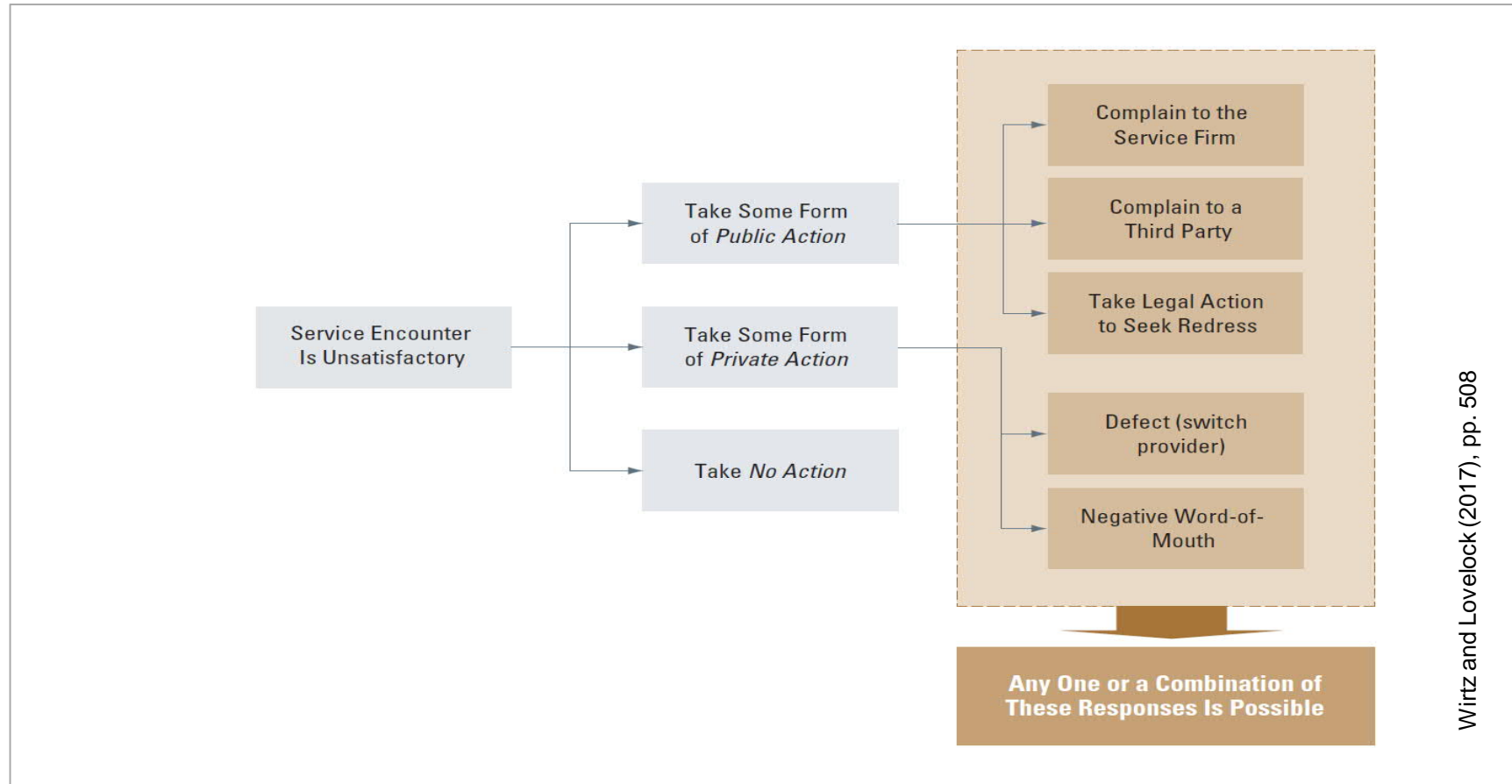
3. Managing Service Recovery

3.2 Customer Response Categories to Service Failures

Customers (Seldom) Respond to Failures	Why Customers Complain After Failures
“Only 5-10% of the customers who have been unhappy with a service do actually complain.”	Obtain compensation
Customers are often unaware of complaint processes, perceive the complaint payoff as unworthy and feel that complaining is unpleasant.	Venting
„Consumers are more likely to complain about services that are expensive, high risk, and ego-involving (like vacation, air travel, and medical services).“	Helping to improve the service
	For altruistic reasons

3. Managing Service Recovery

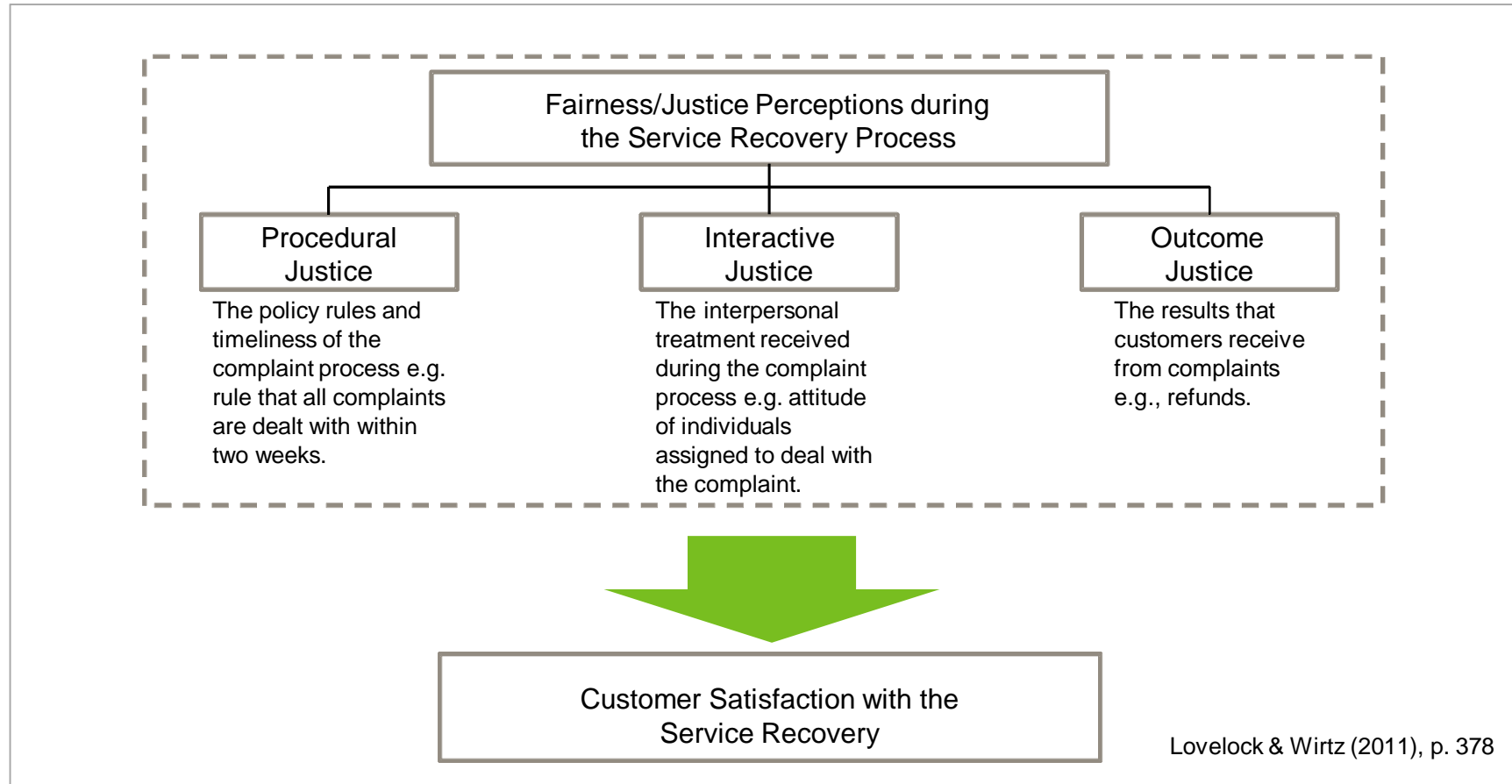
3.2 Customer Response Categories to Service Failures



Wirtz and Lovelock (2017), pp. 508

3. Managing Service Recovery

3.3 Fairness During Service Recovery Episodes



3. Managing Service Recovery

3.4 Principles of Effective Service Recovery Systems

(1) Make it easy for customers to give feedback

- Special toll-free phone lines
- Links on websites and social media pages
- Display customer comment cards clearly in the branches

(2) Enable effective service recovery

- Recovery procedures need to be planned
- Recovery skills must be taught
- Recovery requires empowered employees

(3) Establish appropriate compensation levels depending on

- ... the positioning of your firm (high vs. low-tier)
- ... failure severity
- ... customer tier

Wirtz and Lovelock (2017), pp. 515

3. Managing Service Recovery

3.4 Principles of Effective Service Recovery Systems

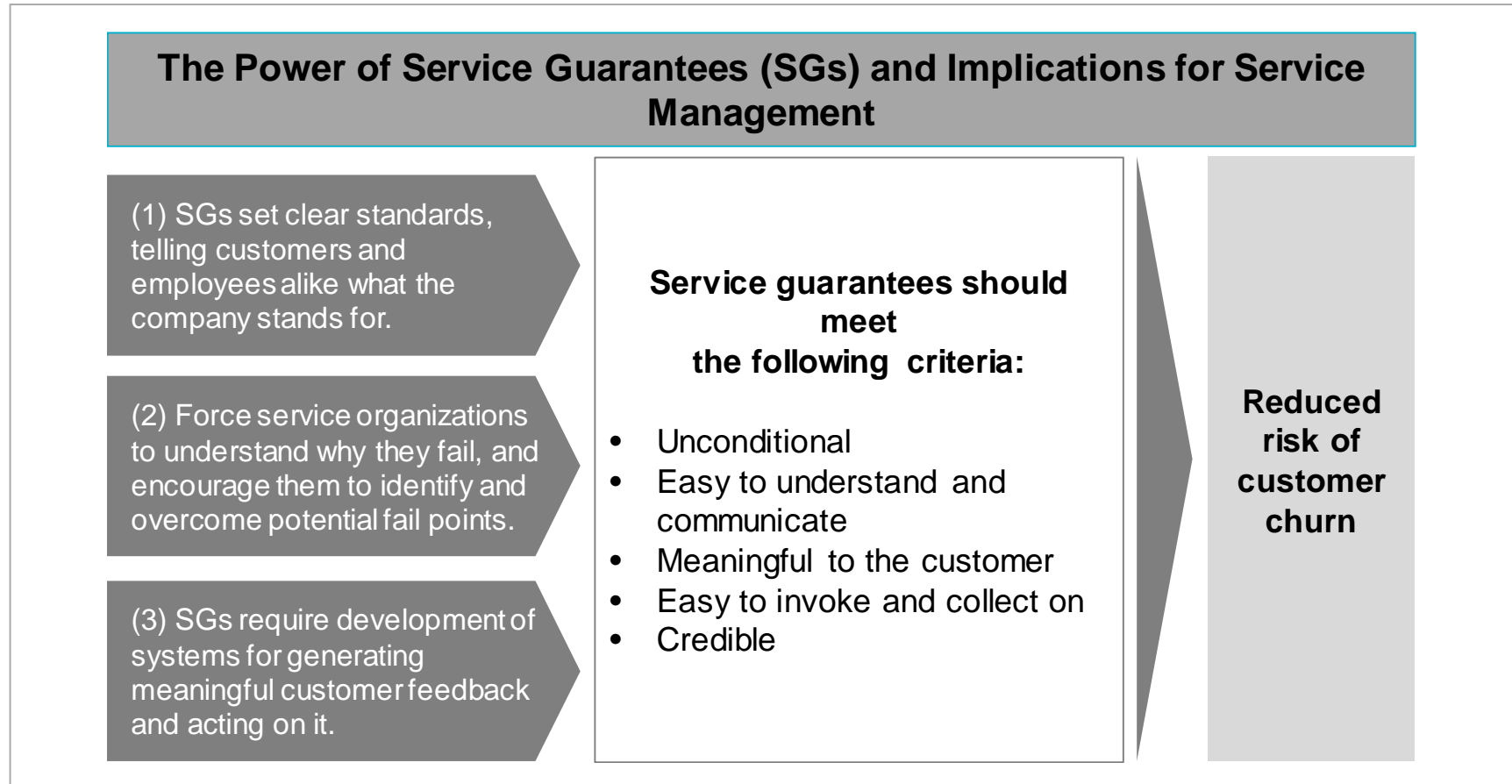
Guidelines for the frontline employees

1. Act fast
2. Acknowledge the customer's feelings
3. Do not argue with customers
4. Show that you understand the problem from each customer's point of view
5. Clarify the facts and sort out the cause
6. Give customers the benefit of doubt
7. Propose the steps needed to solve the problem
8. Keep customers informed of progress
9. Consider compensation
10. Solve the issue to regain customer goodwill

Wirtz and Lovelock (2017), pp. 515






3. Managing Service Recovery

3.5 Service Guarantees



3. Managing Service Recovery

3.5 Service Guarantees

Variants of Service Guarantee	Term	Guarantee Scope	
	Single attribute-specific guarantee	One key attribute of the service is covered by the guarantee.	
	Multiattribute-specific guarantee	A few important attributes of the service are covered by the guarantee.	  
	Full-satisfaction guarantee	All aspects of the service are covered by the guarantee. There are no exceptions.	

3. Managing Service Recovery

3.6 Take-aways

LG1

According to the Service Recovery Paradox effective service recovery can trigger a situation in which customers's postfailure satisfaction exceeds prefailure satisfaction levels.

LG2

Service recovery measures should emphasize fair procedures, a fair handling of the customer complaint, and should particularly emphasize a suitable compensation for the customer.

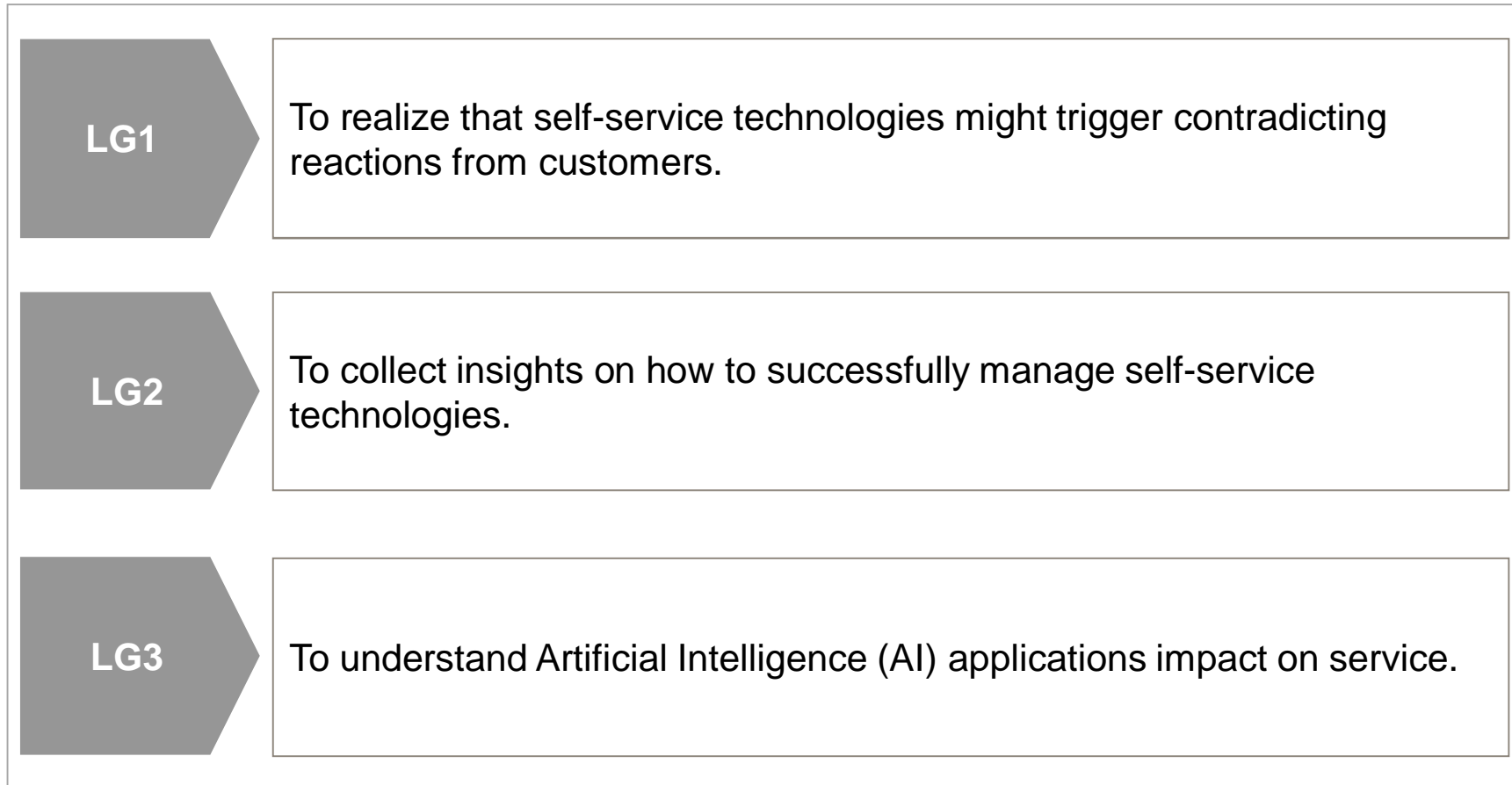
LG3

To ensure effective service recovery, service employees should approach the situation from the customer's point of view, sort out the cause for the failure, propose concrete steps needed to solve the problem, keep customers informed of progress, and consider a fair compensation.

4. Service and Technology

- 4. Service and Technology
 - 4.1 Definition
 - 4.2 Types of Self-service Technologies
 - 4.3 Customer Satisfaction with Self-service Technologies
 - 4.4 Technology Readiness
 - 4.5 Artificial Intelligence in Service
 - 4.6 Take Aways

4. Service and Technology



4. Service and Technology

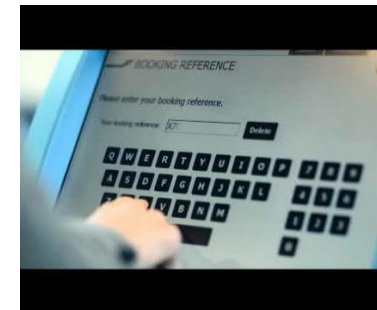
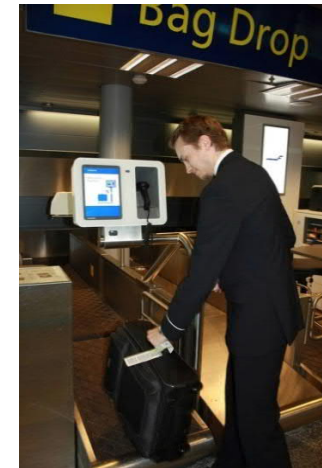
4.1 Defining Self-service Technologies

„Self-service is...

the application of specialized competences (skills and knowledge) (1),
through deeds, processes, and performances (2)
for the benefit of the entity itself (3)” (Vargo and Lusch 2004, p. 326).

Self-service technologies (SSTs)...

are technological interfaces that enable customers to produce a service
independent of direct service employee involvement (Meuter et al. 2000).



4. Service and Technology

4.2 Types of Self-service Technologies

Interface Purpose	Telephone/ Interactive Voice Response	Online/ Internet	Interactive Kiosks	Smart Applications
Customer Service	<ul style="list-style-type: none"> • Telephone banking • Flight information • Order status 	<ul style="list-style-type: none"> • Package tracking • Account information 	<ul style="list-style-type: none"> • ATMs • Hotel checkout 	<ul style="list-style-type: none"> • Airline app • Mobile banking app
Transactions	<ul style="list-style-type: none"> • Telephone banking • Prescription refills 	<ul style="list-style-type: none"> • Retail purchasing • Financial transactions 	<ul style="list-style-type: none"> • Pay at the pump • Hotel checkout • Car rental 	<ul style="list-style-type: none"> • Mobile banking app
Self-Help	<ul style="list-style-type: none"> • Information telephone lines 	<ul style="list-style-type: none"> • Internet information search • Distance learning 	<ul style="list-style-type: none"> • Blood pressure machines • Tourist information 	<ul style="list-style-type: none"> • Language learning app • Workout app

Updated based on Meuter et al. (2000), p. 52

4. Service and Technology

4.3 Customer Satisfaction with Self-service Technologies

Determinants of customer satisfaction with SSTs

Satisfiers	Dissatisfiers
Solved intensified need (11%)	Technology failure (43%)
Better than the alternative:	Process failure (17%)
<ul style="list-style-type: none"> Saves time (30%) 	Poor design:
<ul style="list-style-type: none"> Avoiding service personnel (3%) 	<ul style="list-style-type: none"> Technology design problem (17%)
<ul style="list-style-type: none"> When I want (8%) 	<ul style="list-style-type: none"> Service design problem (19%)
<ul style="list-style-type: none"> Where I want (5%) 	Customer-driven failure (4%)
<ul style="list-style-type: none"> Saves money (6%) 	
<ul style="list-style-type: none"> Easy to use (16%) 	
<ul style="list-style-type: none"> Did its job (21%) 	

Meuter et al. (2000)

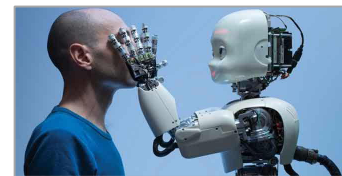
4. Service and Technology

4.4 Technology Readiness Index

„Technology readiness refers...

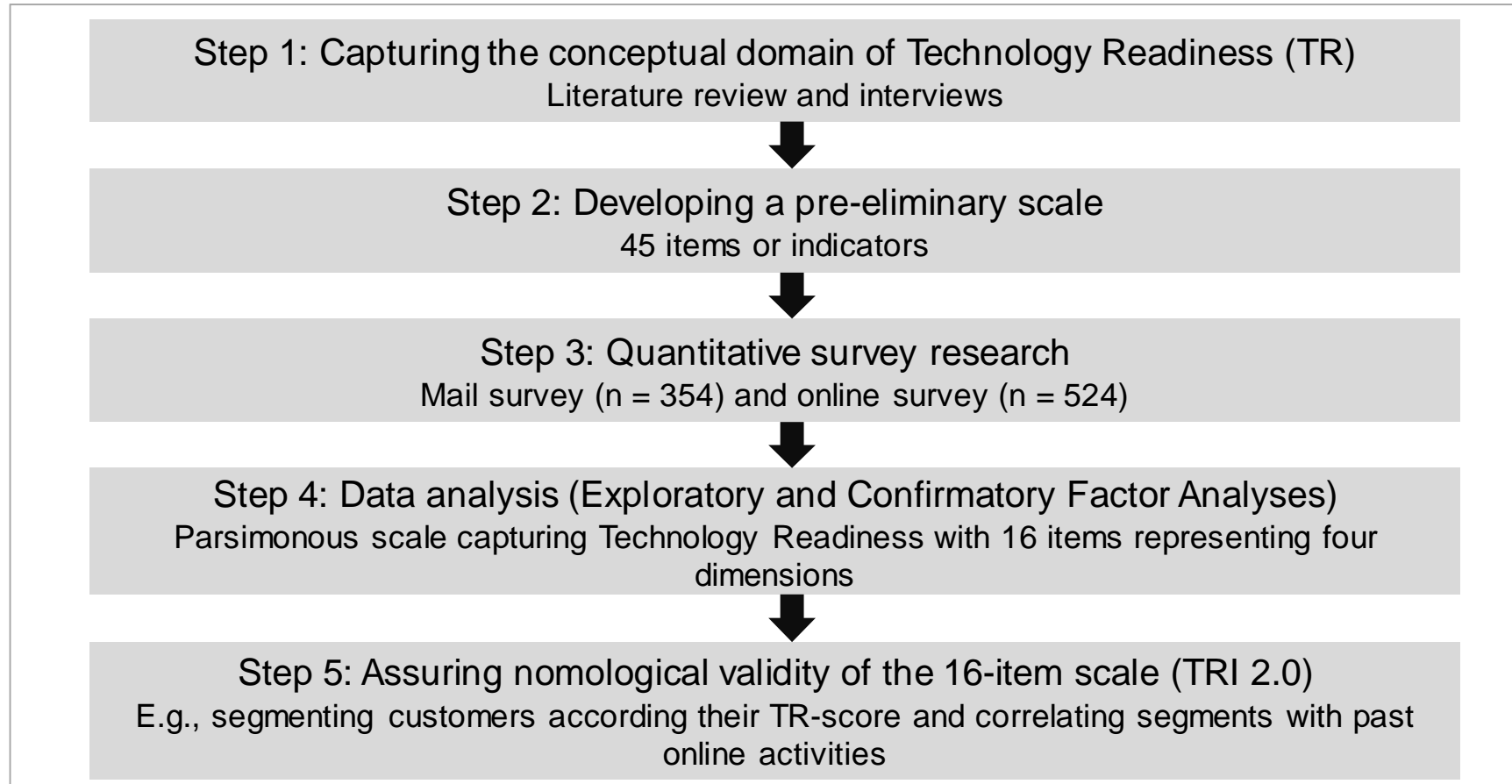
to people's propensity to embrace and use new technologies for accomplishing goals in home life and at work. It can be viewed as an overall state of mind resulting from a gestalt of mental enablers and inhibitors that collectively determine a person's predisposition to use new technologies (Parasuraman 2000, p. 308).”

“A combination of positive and negative feelings about technology underlies the domain of technology readiness. Although the positive feelings propel people toward new technologies, the negative feelings may hold them back. The dichotomies in the eight technology paradoxes discussed by Mick and Fournier (1998) reflect general facets of potential drivers and inhibitors of technology readiness (Parasuraman 2000, p. 309).”



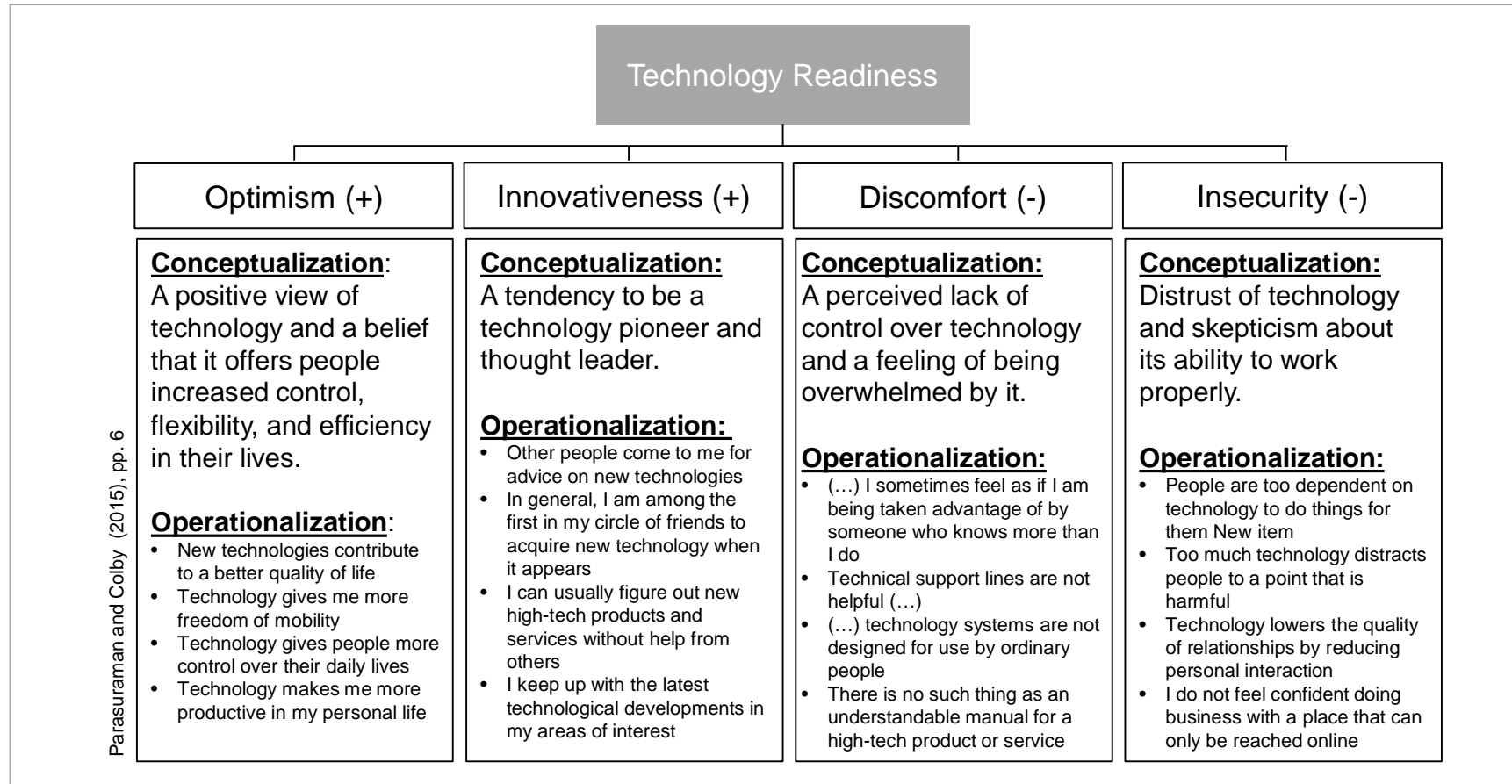
4. Service and Technology

4.4 Technology Readiness Index (TRI 2.0)



4. Service and Technology

4.4 Technology Readiness Index (TRI 2.0)



4. Service and Technology

4.4 Technology Readiness Index (TRI 2.0) – Scale Application

Dimension "Optimism" Scale items	1=strongly disagree	2=somewhat disagree	3=neutral	4=somewhat agree	5=strongly agree
New technologies contribute to a better quality of life.				x (=4)	
Technology gives me more freedom of mobility.					x (=5)
Technology gives people more control over their daily lives.			x (=3)		
Technology makes me more productive in my personal life.		x (=2)			
Index score for "Optimism"	$(2+3+4+5)/4 = 3,5$				

4. Service and Technology

4.4 Technology Readiness Index (TRI 2.0) – Scale Application

Dimension "Optimism" Scale items	1=strongly disagree	2=somewhat disagree	3=neutral	4=somewhat agree	5=strongly agree
Optimism	3,5				
Innovativeness	4,5				
Discomfort	Original score 2 => new score = 4				
Insecurity	2,5 => new score = 3,5				
Index score for TR	$(2+3+4+5)/4 = 3,5$				

Scale transformation: new score = ((scale endpoint + 1) – original score)

4. Service and Technology

4.4 Technology Readiness Index (TRI 2.0) – Scale Validation

Table 7. Incidence of Consumers' Online Activities in Past 12 Months by TR Tier.

	Technology Readiness Tier (Tercile, based on TRI 2.0)			Pearson Chi-Square (Two Degrees of Freedom)
	Lower One Third (2.82 or Lower)	Middle One Third (2.83– 3.24)	Upper One Third (3.25 or Higher)	
Sample size	(273–281)	(279–284)	(278–289)	
Booked travel arrangements online	37%	52%	66%	46.8**
Purchased an item costing less than US\$10 online	49%	66%	81%	60.5**
Purchased an item costing between US\$10 and US\$100 online	73%	84%	93%	36.6**
Purchased an item costing more than US\$100 online	44%	58%	77%	66.2**
Bought or sold stock or securities online	6%	12%	22%	31.9**
Checked information on my bank account online	61%	76%	89%	63.2**
Moved money between bank accounts, made deposits, or made withdrawals online	44%	57%	77%	64.3**
Paid a bill online using a bill paying service, such as my bank's online bill pay service	43%	59%	77%	67.9**
Managed a credit card account online	37%	55%	73%	71.5**
Checked account information with a utility such as a phone, gas, or electric company online	40%	62%	77%	77.7**
Taken a course taught online	13%	21%	27%	16.1**
Researched health information online	65%	77%	83%	25.9**
Read the news or a magazine online	58%	71%	85%	50.8**
Received medical test results online	10%	14%	21%	13.4*
Communicated with medical professionals online	11%	17%	28%	28.4**
Used a streaming music service	22%	45%	61%	84.9**
Listened to live radio programming	30%	45%	63%	64.1**
Watched a video online	49%	72%	86%	95.0**
Watched live TV programming	28%	40%	55%	42.2**
Downloaded songs online	29%	47%	66%	77.1**
Downloaded books online	18%	27%	45%	48.9**
Downloaded movies online	10%	26%	42%	76.9**
Made a phone call with a video connection (e.g., using Skype)	24%	33%	42%	20.6**

Note. TRI = Technology Readiness Index.
*p < .01, **p < .001.

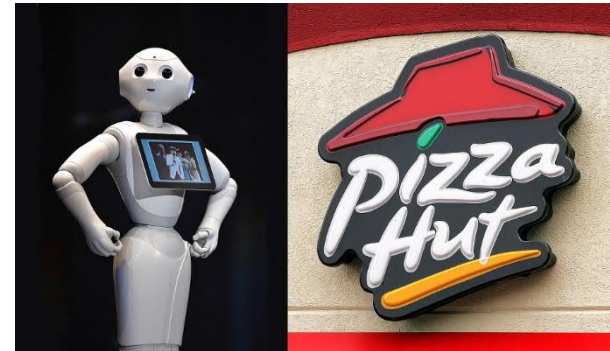
Parasuraman & Colby (2015), p. 11

4. Service and Technology

4.5 Artificial Intelligence in Service – Conceptualization

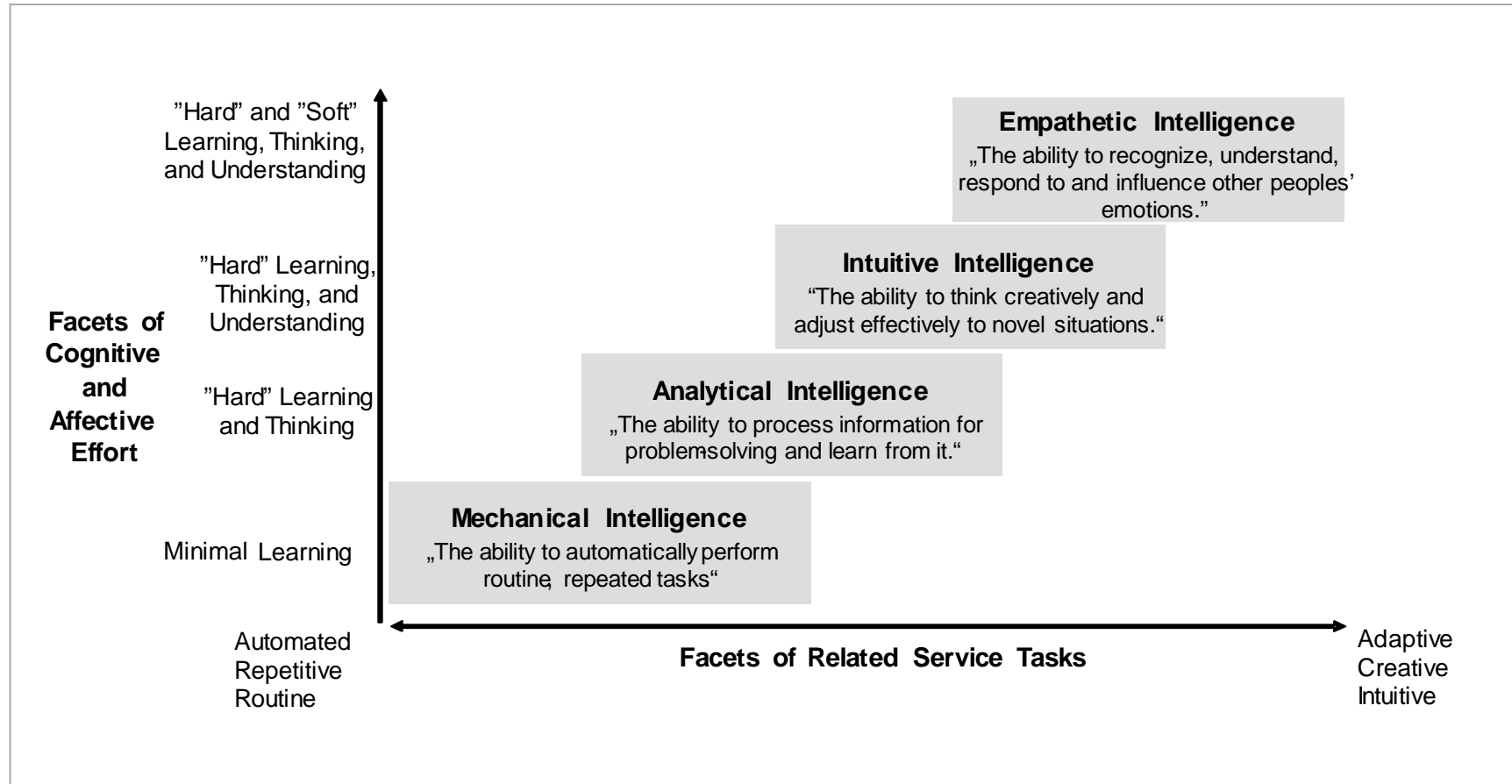
Artificial intelligence (AI) refers to intelligence demonstrated by machines and represents the counterpart of natural intelligence (NI) displayed by humans and animals (Russel and Norvig 2010).

“Literature considers intelligence as the ability to learn from experience and adapt to the environment“ (Huang and Rust 2018, p. 2).



4. Service and Technology

4.5 Artificial Intelligence in Service – Four Types of Intelligence




4. Service and Technology

4.5 Artificial Intelligence in Service – Four Types of Intelligence

Mechanical Intelligence			
„The ability to automatically perform routine, repeated tasks.“			
	Human Labor	AI	AI Applications in Service
Requirements	Limited training or education	Minimal degree of learning or adaption	<ul style="list-style-type: none"> • McDonald's "Create Your Taste" touch screen kiosks • Robot Pepper takes on frontline tasks at Pizza Hut • Virtual bots selling insurances
Nature of tasks	Standardized, repetitive, routine, and transactional tasks	Precise, consistent, and efficient	
Examples	Call center agents, retail sales-persons, waiters, and taxi drivers	Self-service technologies, service robots	
AI > Labor	Extreme consistency		


4. Service and Technology

4.5 Artificial Intelligence in Service – Four Types of Intelligence

Analytical Intelligence			
„The ability to process information for problem-solving and learn from it.“			
	Human Labor	AI	AI Applications in Service
Requirements	Technical skills requiring training and expertise on data and analysis	Learns and adapts based on data	<ul style="list-style-type: none"> • Toyota’s in-car intelligent systems replace problem diagnose tasks for technicians
Nature of tasks	Analytical, rule-based, systematic, complex tasks relying on logical thinking and decision-making	Logical, analytical, and rule-based learning for predictable tasks	<ul style="list-style-type: none"> • IBM’s Watson helps H&R Block for tax preparation
Examples	Data scientists, accountants, financial analysts, auto service technicians, and engineers	IBM’s chess player Deep Blue Waymo self-driving car	<ul style="list-style-type: none"> • Penske’s onboard technology takes over navigation tasks
AI > Labor	Processing big data and learning from them		


4. Service and Technology

4.5 Artificial Intelligence in Service – Four Types of Intelligence

Intuitive Intelligence „The ability to think creatively and adjust effectively to novel situations.“			
	Human Labor	AI	AI Applications in Service
Requirements	Intuitive, holistic, experiential, and contextual thinking	Learns and adapts intuitively based on understanding	<ul style="list-style-type: none"> • Amazon’s and Netflix’s adaptive, self-learning personalization system • Image-recognition AI outperforms dermatologists for skin cancer diagnosis <div style="text-align: right; margin-top: 20px;">  </div>
Nature of tasks	Complex, chaotic and idiosyncratic tasks	Self-learning for tackling non-recurring tasks	
Examples	Sales & marketing managers, management consultants, lawyers, and doctors	IBM Watson’s Jeopardy, Google’s DeepMind AlphaGo, AI poker player Libratus	
AI > Labor	Self-improvement		

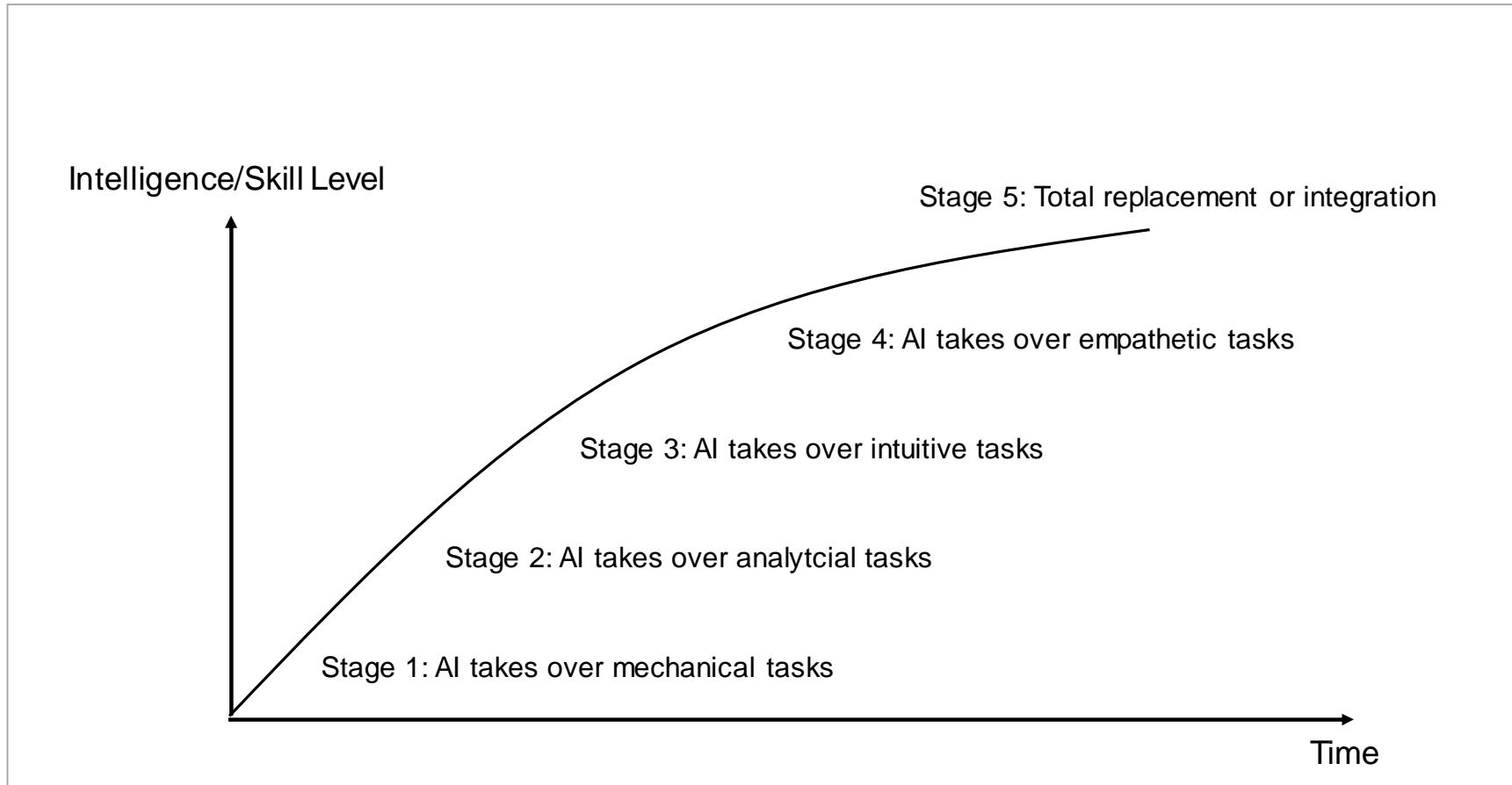
4. Service and Technology

4.5 Artificial Intelligence in Service – Four Types of Intelligence

Empathetic Intelligence			
„The ability to recognize, understand, respond to and influence other peoples’ emotions.”			
	Human Labor	AI	AI Applications in Service
Requirements	Social, communication, and relationship building skills	Learns and adapts empathetically based on experience	<ul style="list-style-type: none"> • Chatbots communicate with customers and learn from it • Sophia robots interact with customers as if employees
Nature of tasks	High touch services involving social, emotional, communicative, and highly interactive tasks	Emotion recognition, affective computing, and communication style learning	
Examples	Thinking jobs requiring people skill like politicians and negotiators or feeling jobs like psychiatrics	Affectiva’s emotion recognition technology, Chatbot Replika, and humanoid robot Sophia	
AI > Labor	Emotional analytics		

4. Service and Technology

4.5 Artificial Intelligence in Service – Service Job Replacement



4. Service and Technology

4.6 Take Aways

LG1

On the one hand, self-service technologies provide customers with increased control, flexibility, and convenience in service consumption. On the other hand, customers have to invest more time and effort for becoming an active service co-producer.

LG2

Proactively communicating the benefits of self-service technologies, enabling customers to experience flow in the use of technology, and assuring high usability of self-service technologies are crucial for successfully managing technology-based self-services.

LG3

AI applications in service may begin to replace human labor with regard to mechanical tasks, followed by analytical and intuitive tasks. Finally, AI applications may perform empathetic tasks based on emotion recognition and affective computing.

5. Services in B2B-Settings

- 5. Services in B2B-Settings
 - 5.1 Hybrid Offerings
 - 5.2 Customer Centricity and Service Quality
 - 5.3 Defining Customer Centricity
 - 5.4 Product vs. Customer Centricity
 - 5.5 Take-Aways

5. Services in B2B-Settings – Learning Goals

LG1

To get an overview of various hybrid offerings.

LG2

To learn about the elements of the customer centricity waterfall.

LG3

To differentiate customer centricity from product centricity.

5. Services in B2B-Settings

5.1 Hybrid Offerings – Definition

“Traditional manufacturers have moved into service and customer solution fields to solidify their positions in increasingly competitive markets and grow their revenues and margins, leading to the well-documented shift from a goods-dominant to a service-dominant logic in business markets.” (Ulaga and Reinartz 2011, p. 17)

“Hybrid solutions are products and services combined into innovative offerings”. (Shankar et al. 2009, p. 95)

“In the past decade, service sales have grown at more than twice the rate of manufacturing in the European Union (2006–2015: 21% vs. 9%).” (Worm et al. 2017, p. 490; <http://ec.europa.eu>)



5. Services in B2B-Settings

5.1 Hybrid Offerings – Variants

Four variants of hybrid offerings:

Value proposition	Customer	
	Service oriented towards the customer's goods	Service oriented towards the customer's processes
Supplier's promise to perform an activity (input-oriented)	Product Life-Cycle Services: Services to facilitate customer access to the supplier's good and to ensure its proper functioning during all stages of the life cycle.	Process Support Services: Services to assist customers in improving their own business processes.
Supplier's promise to achieve a goal (output-oriented)	Asset Efficiency Services: Services to achieve productivity gains from assets invested by customers.	Process Delegation Services: Services to perform processes on behalf of the customers.

Ulaga and Reinartz (2011), p. 17

5. Services in B2B-Settings

5.1 Hybrid Offerings – Variants

Four variants of hybrid offerings:

Value proposition	Customer	
	Service oriented towards the customer's goods	Service oriented towards the customer's processes
Supplier's promise to perform an activity (input-oriented)	Product Life-Cycle Services: <ul style="list-style-type: none"> • Inspection of an ATM machine • Regrooving of an industrial tire • Recycling of a power transformer 	Process Support Services: <ul style="list-style-type: none"> • Energy efficiency audit for a commercial building • Logistics consulting for material-handling processes in a warehouse
Supplier's promise to achieve a goal (output-oriented)	Asset Efficiency Services: <ul style="list-style-type: none"> • Remote monitoring of a jet engine • Welding robot software customization 	Process Delegation Services: <ul style="list-style-type: none"> • Tire fleet management on behalf of a trucking company • Paint finishing of a chemical company at a car manufacturer's production plant

Ulaga and Reinartz (2011), p. 17

5. Services in B2B-Settings

5.1 Hybrid Offerings

Michelin as a role model company:





KEY FEATURES: WHAT DO WE DO FOR YOUR FLEET

All inclusive tyres management:

- Tyres adapted to usages,
- Supply chain guaranteed,
- Stock management,
- Reduce administrative churn,
- **Harmonized operations, delivering fitting, maintenance, regrooving, retreading, recycling...**

Single point of contact, manage tyres the same way across country(ies):

Homogeneous tyre management, constant pricing regulation compliance under MICHELIN® solutions responsibility, service provider management, quality management, follow up and key account review.

Daily guidance by dedicated team of tyre experts: Fleet operators, auditors, operations manager, business support, and KAM to manage all operations on the field dose to you.




Frequent fleet inspections, for full safety, efficiency and savings : Pressure check, wear check, advices and shared actions plan.

Pay-as-you-drive; your tyres budget is fully predictable thanks to pence per kilometre contract.

Reports and management tool, for total control: periodic meeting, mail report, web tools to manage budget, actions and results.

Road assistance, for better uptime: 7/24, within 2 h on spot, all Europe, transparent known pricing, replace tyre not invoiced.

THEY ARE TRUSTING US



























5. Services in B2B-Settings

5.2 Customer Centricity and Service Quality



5. Services in B2B-Settings

5.3 Defining Customer Centricity

The definitions of customer centricity in the literature generally endorse the following aspects:

- (1) **Customer in the focus:** Customer centricity represents the opposite of product centricity
- (2) **Customer intelligence:** “Customer centricity encompasses (...) the idea of customer orientation”
- (3) **Customer integration:** “... affirming the need of a customer integration, that is, the shift from understanding customer wants and translating them into suited products to actively engaging customer competences in companies’ decision making (i.e., co-creation).”

Gummeson (2013), p. 16
Lamberti (2013), p. 594
Shah et al. (2008), p. 115

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5.3 Defining Customer Centricity

The definitions of customer centricity in the literature generally endorse the following aspects (continued):

- (4) Superior service quality: Customer centricity highlights customer value creation and that the company's resources are activated to develop real problem solutions for the customer.
- (5) Superior service experience: Customer centricity says "(...) that customer satisfaction is the goal of a firm."
- (6) Customer equity: "The true essence of the customer centricity paradigm lies (...) in creating value for the customer and, in the process, creating value for the firm (...)."

Gummeson (2013), p. 16
Lamberti (2013), p. 594
Shah et al. (2008), p. 115

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5.4 Product vs. Customer Centricity (1/3)

	Product-Centric Approach	Customer-Centric Approach
Basic philosophy	Sell products; we'll sell to whoever will buy	Serve customers; all decisions start with the customer and opportunities for advantage
Business orientation	Transaction-oriented	Relationship-oriented
Product positioning	Highlight product features and advantages	Highlight product's benefits in terms of meeting individual customer needs
Organizational structure	Product profit centers, product managers, product sales team	Customer segment centers, customer relationship managers, customer segment sales team
Organizational focus	Internally focused, new product development, new account development, market share growth; customer relations are issues for the marketing department	Externally focused, customer relationship development, profitability through customer loyalty; employees are customer advocates

Shah et al. (2008), p. 115.

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5.4 Product vs. Customer Centricity (2/3)

	Product-Centric Approach	Customer-Centric Approach
Performance metrics	Number of new products, profitability per product, market share by product/subbrands	Share of wallet of customers, customer satisfaction, customer lifetime value, customer equity
Management criteria	Portfolio of products	Portfolio of customers
Selling approach	How many customers can we sell this product to?	How many products can we sell this customer?
Customer knowledge	Customer data are a control mechanism	Customer knowledge is a valuable asset

Shah et al. (2008), p. 115.

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5.4 Product vs. Customer Centricity (3/3)

Criteria	Product-Centric Approach	Customer-Centric Approach
Narratives	In an insurance company, the story of a sales person is admired who very successfully sold highly profitable policies to customers that did not meet customers' needs.	In a machinery construction company, stories are told about a top manager, who drove spare parts to a customer during the week-end, when a service technician fell ill.
Language	In a transport company, it is common practice to talk of customers as „shipments“.	During the internal meetings of a software company the following question is commonly asked: „How would our customers decide?“
Rituals	In a service company, many customer counters are closed during peak times, so that employees can have a second breakfast.	In a transport company, every month one employee is awarded „Customer Orientation Champion“.

Homburg et al. (2013), p. 560.

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5.5 Take-aways

LG1

Depending on the value proposition (input vs. output) and a services orientation (product vs process), four variants of hybrid offerings exist: product life-cycle services, asset efficiency services, process support services, and process delegation services.

LG2

Customer centricity represents an important pre-economic success factor that enhances customer satisfaction and retention, ultimately contributing to a customer's lifetime value.

LG3

Product-oriented companies are transaction-oriented, are internally focused and highlight product features. Customer-centric companies aim to build relationships, are externally focused and highlight benefits of their offerings.