

## Chapter 4.3

# Building and Managing Modern E–Services

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### ABSTRACT

This chapter addresses the development cycle of recent ‘services’ models. It considers that all products involve services and consequently may be considered as service systems. First, the issue of ‘services’ is described; next, the enhancement of ‘services’ via value creation is described, along with the progression from supply and demand chains, to value chains, to service value chains, and finally to service value networks. This progression pathway has developed over time, and has enabled ‘service’ and ‘e-service’ businesses to deliver and further develop competitive business solutions. The combinations of integrated, highly competitive, e-supply chains delivering the final ‘services’ suite to the frontline business seller moves the e-supply chain model to a more advanced level. Today, the recent concept of utilizing service value networks offers a key

to future competitive solutions. Service value networks house fully integrated e-demand and e-supply chains working in harmony to the deliver both services and e-services. They are also highly agile and offer customer-induced flexible business solutions to customer requests. This chapter highlights the progression to service value networks. In addition it also offers the manager a balanced scorecard structural mechanism via which management controls over e-services and service value networks may be developed and maintained.

### DEFINITION OF SERVICES

Definitions of what constitutes a service have varied across the service sector. Clark (1940) divided all economies into three sectors: primary (agricultural), secondary (manufacturing),

and tertiary (services). The service sector used three parts—domestic related services (food and lodging), business services, and others (including recreation, health care, and education)—to focus on involvement and improvement of the customer relationship. The services industry provides services, not goods (Hughes, Mitchell, & Ramson, 1993).

In 1870 the service sector employed slightly more than 20% of the U.S. workforce, while by 2002 it employed approximately 82% of the U.S. workforce, and 81% of the private sector GDP (U.S. Bureau of Labor Statistics, 2002/2004). Services management is a 'trans-functional' research area (Kamarkar, 2002). It covers areas including service quality (Chase, Jacobs, & Aquilano, 1996), services encounters (Cook, Goh, & Chung, 1999), and service execution (Nie & Kellog, 1999). Services operations management and services marketing provide still other perspectives to services.

Definitions of service have ranged from the narrow to the broad. In 1960 the Committee on Definitions of the American Marketing Association defined services as: "Activities, benefits, or satisfactions which are offered for sale, or are provided, in connection with the sale of goods." (p.21)

Examples of a service include: accommodation, banking, education, entertainment, finance, medical areas, real estate servicing, transportation, as well as the individual services provided by a barber shop, a piano tuner, a beautician, and assistance areas like repair, maintenance, and after-sales services, through to support services institutions like credit rating bureaus.

Judd (1964) and Rathmell (1974) believed in the service sector of the economy and emphasized the true nature of services. Murdick, Render, and Russell (1990) and Quinn, Baruch, and Paquette (1987) broadened existing services definitions to include all economic activities where output was not a physical product or construction, was usually consumed when produced, and was delivered as an intangible value-add (like travel comfort) to

the customer. Thus the service definition moved again. Zeithaml et al. (1988) believed services were intangibles—like deeds, processes, and performances—but could also be tangible (e.g., health care). Czinkota, Ronkainen, and Moffett (2005) split services into tangible areas involving people (fitness centers) or possession processing (like freight transportation), and intangible areas involving mental stimulus like (education and religion) and information processing (like banking and data processing).

Often services are integrally enmeshed with manufactured goods, or to the delivery (or enabling) of goods. Thus the distinction between goods and services is imprecise, and no clear boundary between manufacturing and service firms exists (Berry & Parasuraman, 1991). Levitt (1972) suggests: "There is no such thing as a service industry. There are only industries whose service components are greater or less than those of other industries ... *Everybody is in service.*" Czinkota et al. (2005) also partially support this approach. Thus it may be suggested that all manufacturing is indeed a service, and that services may be considered from a range of viewpoints. One approach to draw such diversities of opinion together is provided by Rust and Metters (1996). They use a 'topologies' approach to group some services complexities into models. Their topologies approach, built upon other recent service industry models, may assist in the identification of key knowledge and research gaps.

As the service industry has continued to move towards globalization (Kathawala & Abdou, 2003) and incorporate more electronically based delivery systems, it has become possible to deliver a value chain, e-service operation. France, Da Rold, and Young (2002) recognized the importance of the 'service value chain', stating that "to satisfy client demands holistic solutions will require focused providers cooperating along services value chains." Thus 'e-service value chains' may offer a pathway to delivering enhanced customer value.

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