

E-Services – A Framework for Growth

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Abstract

Businesses are undergoing a paradigmatic shift as they are moving from the logic of exchange of "goods," which usually are manufactured output, to one in which service provision rather than goods is fundamental to economic exchange. The key assets in the context of the emerging paradigm of business are interactivity, connectivity, uncovering customer needs and providing customized offerings. As a platform, E-services can provide these functionality for firms. The growth of e-services is expected to be dramatic due to both, the emerging paradigm of business as well the universality of the Internet. This paper provides a framework for analyzing e-services.

Keywords: E-Services, Paradigm Shift, Framework

Introduction

Businesses are undergoing a paradigmatic shift as they are moving from the logic of exchange of "goods," which usually are manufactured output, to one in which service provision rather than goods is fundamental to economic exchange (Vargo and Lusch 2004). Firms are increasingly focusing on interactivity and connectivity; providing customized offerings to better fit the customer's needs; and identifying firm resources (both internal and external) to better satisfy the needs of customers (Vargo and Lusch 2004). In this context, Achrol and Kotler (1999) suggest that businesses will increasingly adopt a customer consulting framework that would enable them to evaluate the services that the customer needs and also provision the service. Ultimately, in this evolving logic of business, the most successful organizations will be those whose core competence is marketing and all its related market-sensing processes (Day 1999; Haeckel 1999).

The key assets in the context of the emerging paradigm of business are interactivity, connectivity, uncovering customer needs and providing customized offerings. E-services is a platform that can provide these functionality for firms. The growth of e-services is expected to be dramatic due to both, the emerging paradigm of business as well the universality of the Internet.

The reasons for the shift toward e-services are both reduced costs as well as improved delivery that leads to higher customer satisfaction and loyalty. While some initial aspects of e-services were seen in the voice telecommunication era, it is the prevalence of the Internet that is changing business operations. Conceptually, e-services will dovetail the concept of a service factory (Chase and Garvin 1989) in that services will be created and distributed on the web. We already see the increased level of e-services in markets such as financial services, travel and e-tailing. This foreword provides a framework to understand the growth of the domain of e-services. We highlight products and service firms that will be the earliest adopters of e-services and areas in which e-service penetration will take a slower path.

Our Framework

We suggest that adoption of services will be based on the products and services that a firm markets. We classify products and services on two dimensions – degree of digitization and ability for co-creation.

The first dimension of our framework is the degree to which the product or service can be digitized. For example, iTunes is an example of a digitized platform in that the entire interaction and delivery of the product or service (music) is digitized. In contrast, a physical product such as shoes cannot be digitized although the processes around it can. For example, a firm, Otabo (www.otabo.com) has digitized all the processes around shoe making (measurements, order taking) but the shoe cannot be digitized and needs to be manufactured and physically delivered to the customer. There are some

products and services that have very little scope for digitization. Examples are commodities such as steel, copper and rubber.

The second dimension is the ability to co-create the offerings. Co-creation involves both the marketers and the customer interacting in aspects of the design, production and consumption of the product or service (Sheth, Sisodia, and Sharma 2000; Prahalad and Ramaswamy 2004). We see this process in services (e.g., hair styling) but will increasingly see it for physical products (e.g., Dell Computers). Some firms provide standardized products and services that have low levels of co-creation (e.g., online payment). Some products and services provide moderate levels of co-creation in that the product or service is not changed but the customer can create their own outcome. Examples are airlines where flights are fixed but customers can create their own itinerary and choose seats. Another example is a mobile phone where the customer can co-create ring tone and screens. Finally, some firms may provide products and services that require high levels of co-creation (e.g., legal services).

Based on the dimensions, we can classify products and services in a two by two matrix.

Level of Digitization	High	High Level of E-Services Penetration Entertainment Media Telecommunications Services	Moderate Level of E-Services Penetration Financial Services Travel Government Services
	Low	Lowest Level of E-Services Penetration Consumer Goods (FMCG) Commodities Utilities	E-Services Penetration in Fulfillment etailers Legal Services B2B Services (Procurement and Payment)
		Low	High
		Level of Co-creation	

We expect the highest level of penetration to take place in industries that are high in levels of digitization and have low levels of co-creation. In these cases, we expect the high levels of penetration because both consumers and firms will prefer to use the e-services platform. Examples of this type of e-services are in the area of media. Most newspapers, magazines, TV stations and even radio stations provide information through both the media channel as well as the Internet. Some of the entertainment (music download, pay-per-view) also have high penetration of e-services. Eventually, in these industries providing e-services becomes a form of operation and not providing e-services makes firms less competitive. Therefore, high levels of e-services penetration are expected.

In industries that have high levels of co-creation and high levels of digitization, some of the simpler processes will migrate toward an e-services platform. For example, consumers can book, pay, and print tickets and boarding passes through an e-services platform, but the actual travel takes place in a physical environment. Similarly, financial firms have been able to digitize most transactions which lead to an increased use of the e-services platform. However for firms in this cell, not all co-creation can be conducted through e-services. For example, flights are taken in a physical world and account modifications require human intervention. Therefore, we expect moderate levels of e-services penetration. An increase in co-creation in industries that had little co-creation also results in lower levels of e-services penetration. As an example, newer technologies that allow customers to co-create entertainment (e.g., pause movies for later watching or shift programming) show lower levels of e-services penetration.

In cases, where the product and service cannot be digitized, but there are high levels of co-creation, e-services will be utilized in the fulfillment processes. For example, an retailer such as Amazon will conduct all of the customer transactions on an e-services platform leaving only the physical distribution. Similarly, lawyers are shifting some of the basic services to the web while retaining the complex and personalized cases for traditional contact. B2B firms have moved most of the procurement and payment to an e-services platform. For example, HP uses an e-services platform OB10 to process all invoices.

Finally, when both co-creation and digitization potential is low, firms will be slow to adopt e-services platforms. The reason is that the benefits of an e-service platform are not obvious to the customers or firms. Examples are fast moving consumer goods, commodities and water and electricity utilities that have limited e-services platform.

Challenges to E-Services

The future of e-services is bright but some challenges remain. The first challenge and primary obstacle to the e-services platform will be penetration of the Internet. In some developing countries, the access to the Internet is limited and the speeds are also limited. In these cases, firms and customers will continue to use traditional platforms. The second issue of concern is fraud on the Internet. It is anticipated that the fraud on the e-commerce Internet space costs \$2.8 billion. Possibility of fraud will continue to reduce the utilization of the Internet. The third issue is of privacy. Due to both spyware and security holes in operating systems, there is concern that the transactions that consumers undertake have privacy limitations. For example, by stealthily following online activities, firms can develop fairly accurate descriptions of customer profiles. Possibility of privacy violations will reduce the utilization of the Internet. The final issue is that e-services can also become intrusive as they reduce time and location barriers of other forms of contact. For example, firms can contact people through mobile devices at any time and at any place. Customers do not like the intrusive behavior and may not use the e-services platform.

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