

# The importance of eservices has grown steadily marketing essay



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The speedy growth of Internet has given remarkable opportunities to business with the services via the Internet. The importance of e-services has grown steadily. The advantages of the Internet as a transaction and communication channel present new opportunities for business. This term paper is conducted to identify the business opportunities that will be brought by e-service through those e-service quality implementations. In the meantime, it able to provides a better understanding of the relationship between e-service and business opportunity. This paper is mainly to identify the opportunities that brought by e-service to business. Consequently, this paper may improve the perceptive of business opportunities via e-service.

E-service is becoming increasingly important not only in determining the success or failure of electronic commerce (Yang et al., 2001), but also in providing consumers with a superior experience with respect to the interactive flow of information (Santos, 2003). Thus, this term paper will be discuss how e-service influences business and how it brings opportunities to business. In this paper, we view e-services as Internet-based applications that fulfill service needs by seamlessly bringing together distributed, specialized resources to enable complex, (often real-time) transactions (Seybold, 2009). E-service has been defined as web-based service (Reynolds, 2000) or interactive services that are delivered on the Internet (Boyer et al., 2002). Examples of e-services include supply chain management, customer relationship management (CRM), accounting, order processing, resource management, and other services that are electronically delivered through the Internet. E-service is deeds, efforts or performances whose delivery is mediated by information technology (including the Web, information kiosks

and mobile devices). Such e-service includes the service element of e-tailing, customer support and service, and service delivery. (Hoffman and Bateson , 1997). According to Hofacker et al. (2007), e-services embody the need satisfaction of traditional services, however by using a new technology. Hence, while “ services capes” and other components of the traditional service satisfaction models may still retain some meaning, the technology element and the lack of personal contacts in the fulfillment of the service completely transform the customer experience in the context of e-services.

## **Overview**

Since the conception of the internet, companies have been continually identifying ways to improve service aspects of their business operations. Many companies have used the internet to improve customer’s knowledge of their product or service offerings, increase the visibility of their offerings, integrate many internal and external business processes, reduce operational costs and expedite customer’s ability to get the information they need (Bettua, 1999; Blachere, 2001). Many industries are using the internet and many more are just identifying the need to do so to remain competitive in the cost and the overall service they offer compared to their competitors. The focus is not one industry but rather on the benefits businesses have derived from using the internet to be able to better serve their customers.

Streamlining processes (that is, identifying and eliminating or at least reducing non-value-added activities in processes) allows businesses to reduce the costs of their services, which improve the value of the service for the customer. Most of these advances have come in the form of effective supply-chain management such as in the transportation industry, but are <https://assignbuster.com/the-importance-of-eservices-has-grown-steadily-marketing-essay/>

applicable to all types of businesses and industries (Wright, 2001; Rosencrance, 2000; Eng, 2004). The internet is driving down excess inventory and operating costs in the companies that are learning how to use it effectively. A senior executive of Case Information Systems reported that they have seen e-commerce as providing a great deal of efficiency between buyers and sellers, and also lowering costs by 50-57% (Richardson, 2000). Simplified and improved processes benefit the customer not only by minimizing effects of inflationary costs, but also by improving the level of service they receive.

Another benefit for companies in using the internet is that customers now have better access to the information they need in an expedited manner. This improves the overall service to the customer and allows companies to lower their operational costs by reducing the number of customer service representatives and support personnel. Customers no longer have to wait for the “ next available representative” but they can perform their transaction immediately.

Manufacturing industry has improved the level of service it can provide through the use of e-manufacturing (Lee, 2003). By leveraging the internet, web-enabling technologies and computational tools this approach allows complete integration of all business elements including suppliers, customer service networks and manufacturing units. Enabling tools to support e-manufacturing includes the ability to monitor the plant floor assets, predict the variation and performance loss for dynamic rescheduling of production and maintenance operations and synchronize with other related and upper-level enterprise applications. Customers can order parts on line and check <https://assignbuster.com/the-importance-of-eservices-has-grown-steadily-marketing-essay/>

status and issues with their orders without having to continually call a manufacturer's representative. This again helps to reduce the number of calls companies have field and the customers feel they are more informed about the status of the order. Retailers of finished goods are also improving their service offerings while obtaining the benefits of reduction of costs due to e-commerce (Skolnik, 2001). Improving the delivery system allows for capturing a wider market which improves sales and savings based on economy of scale.

In an effort to support the central proposition beyond publishes research, a number of companies from various industries were surveyed, These industries ranged from medical devices manufacturers, information technology companies, chemical companies, transportation industry, defense contractors, educational institutes and a variety of manufacturing companies.

## **E-Service Orientation**

E-service is a customer-centric concept, and thus, the strategic and tactical components of an e-service orientation focus on increasing value defined at the customer level. At the strategic level, an e-service orientation calls for moving the emphasis from products and transactions to service and relationships, and building customer equity.. These are supported at the tactical level by personalization and customization, self-service strategies, privacy and security risk management, and e-service measurement.

From Physical Product to Service.

As the nature of market offerings changes from the physical product to the service product, the structure of markets changes to accommodate intermediaries (such as ASPs) who are service providers. We argue that organizations across many industries will have to embrace such transformation to remain competitive. This is especially true of firms in the information products realm. Software producers such as Microsoft are viewing software as a service to which customers can subscribe. The contracts for software purchase are looking very similar to service contracts. The music recording industry is being forced to offer subscription-based music service over the e-channel in reaction to peer-to-peer media sharing, transforming their product offering to a service offering. But this necessity is not limited to information products. Grocery chains are looking to use loyalty cards and electronic purchase tracking to use service as a differentiators to ease price competition. Focused one-to-one promotion and marketing efforts based on information gathered using these cards allow the grocery chains to develop relationships with their customers. They provide value to customers through focused information provision, reduced search time, increased convenience, and a perception of control in their transactions, as much as music subscribers could one day derive in their Internet transactions with music service providers. They sell a grocery service with value derived from service components rather than commodity-like products. In transforming product to service, organizations are forced to be customer-centric. A one-time transaction becomes a longer-term relationship providing opportunities for focused selling of products/services that increase customers' value. Firms must understand the customer better as the focus changes from brand equity to customer equity. This transformation also applies to the B2B

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domain. In changing the software product to a rent-able software service, firms are forced to understand how the customer uses a piece of software. The design of the software becomes more customer-centric. By providing a software service in addition to selling it as a product, the firm learns more about the usage of its software and becomes more attuned to the needs of the customer, which contributes toward a competitive advantage. We predict that firms clinging to a product-centered orientation (such as the record labels), resisting the customers' call for control, are not likely to remain in business very long in the electronic environment. Firms should take advantage of the e-service opportunities offered by the network environment to transform products to service.

### Building Customer Equity

The other strategic underpinning of an e-service orientation is the focus on customer equity defined as the "total of the discounted lifetime values summed over all of the firm's current and future customers." Thus, an e-service orientation implies a firm's strategic opportunities are best viewed in terms of the firm's opportunities to improve the drivers of its customer equity (Rust, R. T., Zeithaml, V. A., and Lemon, K. N, 2000). Since customer equity is a function of the value customers provide for the firm over the lifetime, the focus of the firm should be on understanding how to choose the right customers, provide value (superior as compared to competition) to them over subsequent transactions, thus building switching costs and strengthening the relationship with customers. This orientation is more pronounced in the B2B domain where suppliers view customers as the best relationships to be cultivated over time. An e-service orientation calls for the <https://assignbuster.com/the-importance-of-eservices-has-grown-steadily-marketing-essay/>

same approach in the B2C domain. This implies that every investment made by the firm is viewed by its impact on customer equity. How does it increase value to customers? How does it increase switching cost? How does it strengthen the relationship with the right customers? The tactical components of e-service provide the best approaches to make the investments pay off.

#### Personalization and Customization.

Electronic environments are ideally suited to gather information from customers-details of their transactions over the Internet or using smart cards, or preference information through surveys and inferences using data from other sources-and provide personalized and customized offerings. Focused, relevant offerings reduce overall costs for customers (less search costs, risk costs, and transactions costs) and builds switching costs. In a supply chain environment it could be customized as just-in-time deliveries; for a grocery chain it could be personalized promotions based on transaction history; for an ASP it could be a customized outsourced computing environment. Information-based service products and service delivery through personalization and customization technologies build customer relationships through superior value and higher switching costs leading to higher customer equity. They also provide effective means to understand the customer needs better.

#### Self-Service Strategies.

Customers increasingly seek control in their timing and process of conducting transactions and interacting with businesses. Many of the recent <https://assignbuster.com/the-importance-of-eservices-has-grown-steadily-marketing-essay/>



self-service offerings such as 24/7 service, order status transparency, remote problem diagnosis, among others, are geared toward providing customers the control they want (Meuter, M. L., Ostrom, A. L., Roundtree, R. I., and Bitner, M. J, 2000). Appropriately designed and implemented self-service technologies can increase customer satisfaction, reduce customer defections, and lead to higher customer equity. It also raises the bar for competition.

### Privacy and Security Risk Management.

In as much as the e-service orientation rests on the benefits derived from personalization and customization, it also requires that customer privacy and security risks be effectively minimized. Eradicating these risks is an e-service requirement, as they influence not only the acceptance of e-service by customers, but also the design of e-service by firms. E-service orientation calls for designs of systems and processes that minimize the feeling of discomfort with technology in general and the degree of insecurity regarding electronic transactions. In an electronic environment the consumer's need for control and protection of privacy is quite intense. This implies organizations should resist using the customer information they have to take advantage of customers through indiscriminate cross-selling and up-selling; focus instead on providing value to customers. Security and privacy concerns have a critical impact on the consumer's perceived control in online situations, which in turn determines the consumer's perceived e-service quality (Zeithaml, V. A., Parasuraman, A., and Malhotra, A, 2000). In the era of e-service, a firm effectively managing these concerns builds the trust of its customers and contributes to their lifetime value. The desire for privacy also

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makes viable a market for the maintenance of e-privacy-itself an e-service (Rust, R. T., Kannan, P. K., and Peng, N, 2002).

#### E-service Measurement.

The focus of e-service orientation is external measures of customer assessment of an organization's services and products, not only specifically focused on them, but also in interfacing with other products/services in the value chain. This implies an organization cannot limit its responsibility just to its products, but should be more customer-focused in providing customers a solution. The measurement of customer assessment, in turn, consists of a customer satisfaction/dissatisfaction measurement and perceived service quality on all these dimensions (Zeithaml, V. A, 1988). These measures are in turn related to measures based on sales and profit. The key focus is on understanding how investments in various firm-level activities affect customer-level assessments and, in turn, customer equity. While many of the internal measures used in the context of electronic environment-ranging from effective access, response times, to delivery times, reliability, time spent in the system-are useful, all of them have to be related to the customer-level assessment measures. For example, it is well established that customers may have different patterns of response to technology (Parasuraman, A, 2000). Customers are true assessors of the competitive advantage of the firm and thus the returns from any activity of the firm. Their expectations are set by what they encounter in the marketplace, and they provide a true assessment of how the firm stands relative to their expectations. Thus, a customer-focused measurement is a key component of an e-service orientation.

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## Conclusion

The traditional e-commerce paradigm based on e-tailing, commodity goods, and transaction sales, has largely failed and taking the Nasdaq stock market down with it. Those organizations that have survived this meltdown have one thing in common - they learned quickly to embrace the e-service paradigm. The new e-service paradigm takes advantage of the inherent nature of the online environment to feature information flows and computation, as a means of learning more about customers and building long-term customer relationships. Its profitability model is based more on revenue expansion than on cost reduction, and those revenues come from enhancing the service experience rather than just replacing people with automated systems.

An e-service orientation is all about taking advantage of the electronic environment and the technology advancements to stay competitive, nimble, and customer- focused in a turbulent business landscape. The following table (table 1. 0) provides a quick guide as to how a firm can embrace the e-service orientation. Dell Computers is a good example of how a firm selling products in an increasingly commodity market can follow an e-service orientation to build its customer equity. Its performance in the recent slump has repeatedly confounded analysts but to someone following its customer-focused strategy this should come as no surprise (Dedrick, J. and Kraemer, K., 2002).

Many other firms are embarking on the e-service route understanding the value it accumulates for organizations-for example, Amazon, HP, and IBM.

The rapid technological changes and the emerging new forms of service  
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have made it imperative that firms stay focused on all strategic and tactical facets of e-service. Many novel ideas and technologies have characterized the last few years of e-commerce, but it is very clear a technology focus alone cannot put a business on the path to success. The key to success remains the continued focus on customers and winning them over with a superior value proposition of e-service.

Table 1. 0

Component

Definition

Practice

Benefits

Strategic

Transforming

the Nature

of Offering

Changing the physical

product to a service

product.

Use technology to aid

transformation; for example, software product becomes

software service; music CD becomes online music subscription

Focus changes from

transactions to managing service relationships;

more opportunities to

build customer value and switching costs.

Building

Customer

Equity

Viewing value of firm

using total discounted

lifetime value of existing and future customers.

Evaluate firm's strategic opportunities in terms of opportunities to improve drivers of customer equity.

Competitive advantage

through increased value to customers, switching costs, choosing the right

customers

Tactical

Personalization

and

Customization

Technology-based

solutions to tailor

offerings to individual

customers.

Use technology to collect data, mine data, but provide focused offerings to customers; Do not cross sell indiscriminately.

Learning about

customers; Reduced

costs for customers;

Increased satisfaction

and loyalty.

Self-Service

Strategies

Technology-based

solutions to increase

efficiencies and provide control to customers.

Provide appropriately

designed self-service

offerings-24x7 service, order transparency, etc.

Customer control in

timing and process of

service.

Increased satisfaction,

loyalty, and raises bar for competition.

Privacy and

Security Risk

Management

Minimize customer

privacy and security

risks in conducting

e-service interactions.

Have a clear, well-advertised privacy policy and stick to it.

Do not take advantage of customer; Invest in security solutions.

Increased customer

trust and value; increased customer equity.

e-Service

Measurement

External measures

focused on customer

assessment of services

and products.

Measure customer

satisfaction/dissatisfaction, perceived service quality; link to sales and profit.

Understanding of how

firm-level activities affect customer assessment

and equity.