

Title: Role of the Service Concept in Managing Professional Services

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Levitt discusses the need for, and potential benefits of, the industrialization of service. He describes specialization as essential to achieving meaningful economies of scale and, thus, productivity, and likens the notion of specialization to the concept of division of labor in manufacturing. Specialization continues to be critically important, although the term *focus* is more commonly used today. Davidow and Uttal (1998) echo these thoughts when calling for service companies to develop and execute focused strategies. These authors describe the need for defining fairly narrow customer segments (in contrast to more broadly defined market segments) in order to simultaneously achieve high levels of customer satisfaction and efficiency, and, consequently, profitability. They emphasize the central role of customer expectations in this context and describe the need for managing them, i.e. setting them to appropriate levels. Thakor and Kumar discuss their research into consumers' perception of what characterizes professional services. Consumers consider those services to be 'more professional' that are perceived to require higher levels of expertise and lower levels of manual labor, and that possess higher levels of credence qualities. Similarly, 'more professional' services are deemed more critical, recommendations play a more important role in service selection, and involve a higher lack of clarity as to the nature of service actually required. McLaughlin et al. (1995) provide a detailed discussion of focus in professional service organizations. Drawing on empirical research of outpatient surgery centers, these authors define the notion of focus, discuss benefits and disadvantages, and develop a framework aiding managers in making micro-focus decisions. Ojasalo (2001) investigates the specific nature of customer expectations in the context of professional services and describes them as often being fuzzy, implicit, and unrealistic. He describes the potential effect of such expectations and professional service providers' failure to meet them on perceived service quality. The author discusses the potential negative effects of appropriately managing such expectations on "perceived short-term quality/satisfaction and the related potential positive effects on long-term quality/satisfaction".

Meyer Goldstein (2002) describe the service concept's role in driving design and planning decisions at all levels of new service development. The service concept is described as essential to creating organizational alignment by linking a service organization's strategic intent to its customers' needs, and as linking the 'how' and 'what' of service design. Kwortnik and Thompson (2009) research the case of 'Liberty Cruise Lines' to understand the service operations challenges originating from service design decisions taken from a service marketing perspective. They advocate the use of the *service operations model*, which includes the *service promise and concept* as one of its essential elements. The authors emphasize the need for coordination between service marketing and operations during ongoing operations rather than only during new service development. Furthermore, they suggest bridging the service marketing-operations gap with service experience management, a new function integrating service operations and marketing. Malhotra and Sharma (2002) agree that the interface between service marketing and operations is critically important. They emphasize the importance of cross-functional interactions and joint decision-making across these disciplines, and introduce a simple *marketing operations integration framework*, which identifies opportunities for inter-functional integration. A cross-functional approach to service management is seen as essential for effective service design and delivery.

Heskett, Jones, Loveman, Sasser, and Schlesinger (1994) describe the service-profit chain, which identifies the drivers of profitability and revenue growth in service organizations. Customer loyalty is identified as the primary driver and in turn originates from customer satisfaction and service value. In turn, service value originates from employee retention and productivity, which both result from employee satisfaction. Employee satisfaction primarily originates from internal service quality, which enables employees to deliver results desired by customers. According to these authors, the results for customers that constitute service value are defined by the service concept, which is the central element of the service-profit chain.

Several authors notice the increasing emphasis on the *customer experience* as part of delivering services to customers. According to Verma et al. (2002: 117), "[s]ome researchers argue that several developed nations have moved beyond the *service economy* to the *experience economy*". Fynes and Lally 2008 agree on the growing importance of the experience element of a service and advocate progressing from mere service concepts to more explicit experience concepts. This

notion puts increased emphasis on the *service experience* element of the service concept as described by Johnston and Clark (2005: 37-63).

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