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From Traditional Services to eServices – a Business Value Analysis

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Traditional Services and eServices

With the rise of Information and Communication Technologies (ICT), the service sector has undergone a major change, which is a process that is still ongoing. The changes refer to traditional services (e.g., consulting, broker activities etc.) that may be redesigned as well as to the creation of novel services that evolved from ICT spread and technological advancements (e.g. online-shops, social media etc.). Both developments have triggered a shift towards eServices.

On a meta-level eServices may be referred to as electronically enabled services, digital services or digital products. Thus, eServices can be defined as services being provided as well as delivered electronically and with a high level of automation (Borec 2012). Furthermore, eServices are not only considered to be solely web-based applications, but may also be based on other telecommunication services (Aversano and Canfora 2002). A popular example of a web-based application is YouTube, an application that is downloading parts of the service, i.e. videos, every time it is being used.

Furthermore, it is to be pointed out that there exist some common features of traditional Services and eServices. First, both are intangible goods. Second, they have a process nature, which means that a sequence of structured (sub-)processes need to be completed successfully to be able to deliver an output result. Also, they are both of interactive nature (Taherdooost et al. 2014). Moreover, their quality can be mostly assessed only ex-post, which means only after such a service has been provided. But on the other hand, there are numerous factors that distinguish eServices from traditional services. The first to be mentioned is that eServices can be easily and quickly reproduced and distributed, while each and every repetition of an eService is of quite the same quality. Initial production costs of an eService are usually relatively high (“first copy costs”), whereas economies of scale have considerably larger and earlier effects than in traditional services or production of tangible goods.

Business Value of Traditional Services

Until now, it has not been reached a consensus concerning the definition of the business value for traditional services, as some authors analyze it mainly from a customer’s perspective, while others take a company’s perspective (Bruhn and Hadwich 2014, p. 6). Other authors emphasize the importance of both perspectives including externally involved stakeholders (Laszlo et al. 2004; Jahn and Drengner 2014, p. 45-46). In general, the business value of traditional services is in any case positively associated with an economic contribution and an enabler of competitive advantage, which leads to effects of sustainability for the company (Bruhn and Hadwich 2014, p. 6).
The business value of traditional services is being determined to a major extent from the two first mentioned perspectives, i.e. the customer and company perspectives, which in turn equal to the economic stakeholders' viewpoint. From the company's perspective the term *business value* stands for measuring the company's success, such as the cost-effectiveness. The higher the difference between costs and earnings, the higher is also the business value. The value from a customer's perspective reaches its peak when fully satisfying customer needs and matches their expectations at low price (Bruhn and Hadwich 2014, p. 7-10). Other studies are dealing with value creation from both, customer and company perspectives or involve into their examination also the power of stakeholders (Heskett et al. 1994; Jahn and Drenegner 2014, p. 45-46). There exist several theoretical frameworks for each of the perspectives, which will be examined below.

**Business Value of eServices**

While traditional services are characterized by the fact that service provision and service consumption requires a time-location concurrence, i.e. service provider and service consumer are to be at the same time at the same place. The main advantage of eServices is the breakup of the location requirement.

Although the business value of eServices can be analyzed from the perspectives discussed in the previous section, the range of the business value of eServices is broader and differs considerably from traditional ones. This is caused by the existence of an extensive range of diverse eServices, whereby some of them have characteristics that cannot be found in traditional services. For instance, nowadays customers can choose from a large range of offered eServices anytime and anywhere due to the diffusion of mobile Internet devices. Furthermore, in the "virtual world" consumers can easily find the cheapest offerings and compare suppliers. Also they can easily get to information from other buyers and have thus currently the highest knowledge compared to the past (Band et al. 2013, p. 3-4). Today we live in the age of "prosumers", i.e. consumers acting like producers. They provide feedback to eServices, which is in a consequence used and processed with the intention of introducing even better offerings. The term "better offerings" refers to eServices fulfilling the consumers' needs to a greater extent together with creating more value (Penkert and Eberwein 2013). More than that, enterprises have understood that an introduction of a market innovation specifically designed according to the customers' feedbacks is likely to substitute the currently used eService solution (Band et al. 2013, p. 3-4). The following four aspects have a direct impact on the eService business value creation:

1. customer perspective,
2. customer interactions with the eService provider,
3. stakeholders,
4. internal business value creation.

First, as a result of the eService characteristics, value creation takes place mainly from the customer perspective. Thus primarily, the value is created by the customer and not by the company (Kuppelwieser et al. 2013). As an example, eServices of a social network or community character, such as YouTube, include highly complex value creation processes. They include a myriad of interactions between community members, who can either be service providers or service consumers (Kuppelwieser et al. 2013, p. 314-315; Kuppelwieser and Simpson 2014, p. 460-461).

Secondly, in the eServices' field the interactions between the eService provider and the customer are typical. The customers act as very important partners in the value creation process, whereas the providers are able to support them in creating even a higher value (Grönroos and Voima 2013). One typical example of value co-creation in eServices is a "comparison" portal. Here everyone can search for offerings and compare various cost-performance ratios. In this case the value is created in a traditional way, namely the provider of the website offers the opportunity to search the database and compare the offerings, while the value creation takes place when the customers make use of the service. When there is no customer interest, also no value is being created in this two-party relationship (Kuppelwieser and Simpson 2014, p. 460-461). In most cases the co-created value is the result of personalized offerings and exclusive
experiences on the one hand, and revenue, learning and improved performance indicators on the other hand (Ahrar and Rahman 2012). Moreover, during the mentioned interaction processes there is the phenomenon of investing the so-called “operand” and “operant” resources. The first mentioned do not directly create value, but are needed prior to value creation. In the case of an eService provider the operand resources include buildings with a server placement, hard- and software, funds and human capital. The operand resources to be invested by the customers include for instance time, experience, or know-how. Operant resources create value and are often intangible. They include for instance employee support on the provider level and IT-skills on the consumer level (Jahn and Drengner 2014, p. 44; Vargo and Lusch 2004).

Value propositions on social media are being shared and accepted between users in order to belong to certain communities (Jahn and Drengner 2014, p. 46). Moreover, information on the web derived from media, social networks and other organizations are influencing the customers’ buying behavior, which is a result of changes in the perceived business value, depending on the character and content of information.

Conclusion

The paper provides insights into selected characteristics of traditional services and eServices underpinned with relevant literature and examples of applications. Furthermore, a brief analysis and discussion were presented. While in traditional services supply and consumption had to be performed at the same time and location, ICT enabled and boosted eServices. Further work will focus on the business value of servitization, which is a business model that combines manufacturing and services to foster or improve market positions. Quantitative approaches could support strategic management decisions in this regard. Dynamic markets, critical factors (e.g., sustainability), and changes over time (1) in customer needs and (2) in technology impose challenging conditions.

References