NEW SERVICE DEVELOPMENT: BEST PRACTICE OF THE ITALIAN POSTAL SECTOR

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Complete Research

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Abstract

The increasing importance of service sector has caused greater interest of both scientific community and practitioners in examining new service development (NSD) and understanding the necessary conditions of successful service innovation. Significant changes happened in the Postal sector during the last decades forces postal organizations to think in terms of service innovation, quality of service parameters and new service development. Despite of this, the empirical research that has been undertaken concerning the process of developing new services in the Postal sector is rather limited. This paper examines the effective development of new services and some essential factors that should be taken into account in this process by postal enterprises. The present research was based on the case study approach. In-depth semi-structured interviews with managers of Poste Italiane were conducted. Based on the collected data analysis, our hypothesis about 4 main groups of NSD drivers was confirmed.

Keywords: New Service Development, key drivers, Postal sector.
1 Introduction

In economies of many developed countries beginning from the 50th of the last century it can be observed rapid growth of service and decline of manufacturing industries. Today GDP of most Western economies depends, in major part, on service sales. According to the web resource “Index Mundi”, the contribution of the service sector in GDP of Italy reaches 78.3%, moreover, 67.8% of the Italian population are employees of service enterprises.

The increasing importance of service sector has caused greater interest of both scientific community and practitioners in examining new service development (NSD) and understanding the necessary conditions of successful service innovations. During the last decades many enterprises of different service sectors such as financial services, health care, telecommunications services, information services, leisure and hospitality services, travel services, educational services, consulting services use NSD for their sustainable growth (Johne & Storey, 1998). Furthermore, some scholars argue that often in the service sector innovation and development of new services are not based on certain rules, defies logic system (Menor & Roth, 2007), which can signalize, that the peculiarity of NSD need to be examined deeply for the different kind of service enterprises. However, in the scientific literature there is a gap in the study of this issue in the Postal sector.

Enterprises of postal sector around the world in recent years have undergone significant changes, connected with 3 main groups of factors: liberalization and privatization, new market dynamics and ICT development. Besides development of information technologies and digitalization processes, the postal sector are facing wide range of problems. The universal postal service market exposes all players to adaptation to new business conditions and forces providers to think in terms of service innovation, quality of service parameters and new service development (NSD). According to Universal Postal Union, average number of letter-post items posted per inhabitant in the period from 2002 to 2012 decreased by 37%, income from traditional activities (letter post, parcels and logistics services) was reduced from 55% in 2002 to 40.1% in 2012, while quota of income from alternative activities (financial and other services) in total income have increased by 15% for the last 10 years. Based on the above data, it can be concluded that in the conditions of crisis, globalization and growing competition, more companies are beginning to understand that process and product innovations are fundamental to an organization’s survival and growth.

The objective of this research is to increase knowledge of effective new service development and its distinctive feature in the Postal sector on the example of Poste Italiane Spa.

The structure of this paper is organized in the following way. Firstly, the NSD concept was observed and the relevant literature in this scientific area was reviewed. Secondly, the previous findings on the NSD issue in different service sectors were analyzed. Thirdly, the main tendencies of development and problems existing in the market of postal services were described. Fourthly, the empirical analysis was conducted through a series of interviews with managers involved in NSD-related activities and a case-study of NSD in Poste Italiane was illustrated. Finally, the practical and the theoretical implications of the findings were discussed.

2 Literature Review

2.1 NSD concept

Service science becomes an important discipline, that emerge due to the rapid development, interaction, and beneficial co-creation of value among service systems (Vargo & Akaka, 2009).
Service science is studying service systems, which represent a combination of value co-creation among organization and human understanding with business and technological understanding to categorize and explain the many types of service systems that exist (Maglio & Spohrer, 2008). Fast technological evolution, growing international competition and the more exigent customer requirements have complicated the conditions of efficient business performance and created different challenges in service sector development. In order to solve these emerging challenges and be more competitive many companies have to create new services (products). Scholars from marketing (Johne & Storey, 1998), operations management (Menor et al., 2002), and innovation (Drejer, 2004) they all agree that NSD is playing a main role in the processes of achieving a superior competitive advantage (Lusch et al., 2007). Hence, NSD is an increasingly important concern in innovation of service industries (Edvardsson and Olsson, 1996; Kelly and Storey, 2000; Mansury and Love, 2008).

Speaking about the NSD concept, we should pay attention to 2 aspects: 1) what a new service means, and 2) what is important to know about the process of its development.

According to some scholars (Menor & Roth, 2007, Roth & Shockley, 2010) a new service is an offerings not previously available to customers that results from the addition of offerings, radical changes in the service delivery process, or incremental improvements to existing service packages or delivery processes that customers perceive as being new. In this definition it is necessary to focus on some fundamental points. First of all, Menor (2000) believes that service newness, can be divided into the offering newness and the concept newness (Figure 1):

![Figure 1. Typology of service newness](image)

The newness of service offering answers the question "what service is offered?", identifying the position of a new service on a distance between incremental and radical change (Menor et al., 2002). According to Johnson et al. (2000), this distance is the so-called “scale” that defines the degree of services newness and consists of 6 degrees, 3 of which belong to the radical pole marked on the figure red, and 3 to the incremental pole marked blue (Figure 2):

![Figure 2. Degree of service newness](image)

The newness of service concept is a change of the way in which service offering becomes accessible for consumers, responding to the question: “how the service is offered?”

Having examined the concept of the new service, studied mainly by marketing scholars, another important component of NSD research is the study of the development as a process, the knowledge of which the researchers of Operation Management has deepened. Thus, what is the process of new product creating, on which elements it is based and on what factors it is oriented?
Johnson et al. (2000) present NSD process as a chain of 3 highly iterative and non-linear links - planning, analysis and execution activities. Bullinger and Schreiner (2006) define NSD process as a cycle consisting of 6 key phase (start, analysis, design, preparation, test, implementation). The start phase, where new service ideas are generated, enters the phase of idea selection and initial business opportunities assessment, followed by design of new service specifications (required resources, service delivery process, market measures and performance expectations definition). The final phase in this process is resource allocation, testing of specification and concept implementation.

An important aspect is the consensus of researchers in the statement that the activities carried out in this process, base and revolve around certain elements, that ensure the new service effectiveness and successfulness and depend on the sector specificity where an enterprise operate and on the service itself. In the scientific literature related to the NSD many authors highlight a different resource orientation, innovation drivers and components of success in process of design and development of new services.

Whang (2001) describes the supply/partner chain integration as one of the important driver for successful company growth. According to this scholar in order to achieve a greater competitiveness and a better results, modern enterprises should pay more attention to coordination and collaboration among supply chain partners in an approach called “supply chain integration.” There are four main dimensions that can be distinguished in supply-oriented approach: information integration; planning synchronization; workflow coordination; new business models. Involving in a process these four components can increase the level of integration and coordination among supply chain members and as the result can provide with a new ways of conducting business and expand the range of alternative services provision.

Other authors focus on analysis of the technical equipment and systems implementation in service firms. A large number of studies analyzed the impact of technologies (particularly information technologies) on services (Soete & Miozzo, 1990). The development and implementation of technology in the service industries can be the key to future wealth and productivity for the enterprises (Quinn, 1992). Service firms rely on a wide range of innovation sources. The acquisition and development of software and investment in machinery is a modern trend for service sector (Sirilli & Evangelista, 1998). The increasing role of technology provides a great benefits for both firms and customers. It helps to reduce costs for the companies and provide them with a superior identification on the market (Bitner et al., 2000). Gassmann & Enkel (2004) in their study were talking about technology innovation (IT) as a way of gaining strategic flexibility in the strategic process and creating a critical momentum in innovation diffusion in order to generate customer acceptance and create industry standards for new services.

Johne and Harborne (2003) highlight considerable impact of project “micro-climate” and appropriate leadership practices and styles on NSD successful projects.

Edvardsson and Olson (1996) highlight such key drivers in NSD as, for instance, technical resources, administrative routines and procedures, customers orientation. They mention the crucial role of the customer in development of new service, in which customers need to be involved in the multiple interactions with: staff, physical environment, and also technical systems, that should be customer-friendly. Customers are considers as the best judges. For the better service development companies need to take in consideration the needs and wishes of the customers to understand their logic. Some authors give such a great importance to the clients in developing a new service, calling them “co-producers” (Van der Aa & Elfring, 2002).

The group of scholars (Cook et al.,1999; Den Hertog, 2000; Avlonitis et al.,2001; Gadrey et al.,1995; Chase et al., 1998) point out that innovation in service can be related to such dimensions as: service concept, client interface, delivery system and technological options. Innovation in the service concept includes changes in the characteristics of the service itself. Client interface means the
orientation for the clients’ needs and their vision of a new product. Delivery system innovation considered as the internal organizational arrangements that should be managed in a way that service workers could perform their job in a proper way. It could be also called as the internal work processes and arrangements.

Ordanini and Maglio (2009) consider as the main drivers in NSD the following: customer/market orientation, internal process organization and external network. Internal process refer to knowledge integration that lead to an organization's capabilities to create products that meet customer needs and to involve in a process modern technical equipment. The external network represents all the components of external value chain: suppliers, competitors, institutions and customers that can be crucial sources of knowledge, and their involvement in the innovation process of a company.

According to Posselt & Förstl (2011), the main contributors to the NSD Process Success are following factors: role of employees in NSD - employee involvement and employee expertise; cross-functional involvement; appropriate level of formalization; management measures, including both personal characteristics/attitudes and organizational skills; customer involvement in various stages of the development process; market orientation including consumer-requirements understanding and competitors analysis; synergy between external (market) and internal (organizational) dimensions.

Based on the literature review, we have hypothesized that exist 4 main dimensions, which in our opinion, are fundamental for the creation of new services and successful company growth (Figure 3):

- “Resources and skills - oriented” includes such aspects identified in the literature as: employees role, management and leadership appropriateness, favorable micro-climate, cross-functional knowledge integration
- “Supplier/partner - oriented” considers relationship development and collaboration establishment among supply chain partners
- “Customer and market - oriented” contains such aspects as: customer involvement in the process of new service co-creation, consideration in their logic, needs and desires changes, and also research of market opportunities and competitors analysis
- “Technology - oriented” comprises the use of new technologies as a significantly change in service provision way (new service concept), and also as a source for completely new service development (service offering).

Figure 3. Typology of drivers in NSD process

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2.2 NSD in different service sectors

As mentioned above, over the last 10-15 years it can be observed a significant growth of practitioners’ interest to topics dealing with NSD in many areas, because of the obvious fact that this process enables enterprises to increase their competitiveness on the market. However, it should be noted that from the point of view of scientific studies and empirical analysis, this issue was widespread in some areas, such as banking, healthcare and tourism and remains neglected and poorly studied in others.

In Table 1 were described some results and findings made in studies carried out on the example of the 3 services sectors in which the analysis of the concept NSD has received the widest application in practice.

<table>
<thead>
<tr>
<th>SERVICE SECTOR</th>
<th>AUTHORS</th>
<th>RESEARCH FINDINGS</th>
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<tbody>
<tr>
<td>Banking</td>
<td>Papastathopoulou et al., 2001</td>
<td>• Decentralized activity of different business unit for NSD</td>
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</tbody>
</table>
|                | Menor&Roth, 2007 | • NSD competence  
• *Five critical, complementary, dimensions* of firm’s competence in NSD: 1) NSD process focus, 2) market acuity, 3) NSD strategy, 4) NSD culture, and 5) information technology (IT) experience |
|                | Ozdemir et al., 2007 | • New types of products and services that are driven mostly by technology  
• Internet banking  
• Customer oriented design |
| Healthcare     | Engström, 2012 | • Patient’s experience  
• Patient co-creation |
|                | Kriegel et al., 2013 | • New e-health services |
| Tourism        | Dalton et al., 2009 | • NSD for SME’s,  
• *Key resources (leadership, internal and external enablers)* at the centre of the model to support the NSD process |
|                | Faullant et al., 2012 | • The *integration of customers* into the development process  
• Electronic information mediators |
|                | Sigala, 2012 | • The exploitation and the implications of *Web 2.0* in NSD in tourism |

Table 1. The main research findings in different service sectors

Regarding the previous research in the field of banking, the scientific thought about creating banking services can be divided into 2 tramlines, namely:

1) Variants of organizational structure and internal resources use in the NSD process: a new combination of firm’s competences (portfolio of different skills and resources) and their critical, complementary dimensions in order to create new service outcomes (Menor & Roth, 2007); a new way of developing new banking services (in contrast with the preceding one), focused on autonomy and decentralization of each business unit, responsible for the creation of a separate exclusive business proposals (Papastathopoulou et al., 2001).
2) Consideration of business environment factors: use of new information technologies, Internet and focusing on needs and skills of the various classes of consumers (Ozdemir et al., 2007).

The researches, conducted in the field of health care, consider the patient, her/his experience and individual needs as the main source of medical services innovation. New services developing in this case is the result of joint work between medical structure and its patients (Jon Engström, 2012). Kriegel et al. (2013) study NSD in the German and Austrian health care system and believe that an essential element for the rapprochement and integration of demand and supply perspective (or such key players as patients, health professionals, and the institution that finances the service) is the development of new knowledge-based hybrid e-health services, that will have potential benefits for all the involved players.

The third “popular” area of studies and empirical validation of NSD models is tourism, where the main feature is the fact that the majority of operators is small and medium enterprises which often lack adequate skills and necessary resources for service development. According to Dalton et al. (2009), the main tendency in the creation of new services in this context is the integration of key resources, such as design team, organizational staff members, customers, and suppliers or external partners in the NSD process. For example, Nambisan (2002) identifies the customer contribution in NSD in three ways: as a resource, as a co-creator and as a user. Moreover, it cannot be ignored the importance of electronic information mediator, which are the main intermediaries, providing communication between enterprises of tourist business and clients (Faullant et al., 2012). Sigala (2012) claimed that “Web 2.0 can lead to a cultural shift from ‘designing for’ to ‘designing with’ and ‘design by’ customers, whereby firms exploit Web 2.0 for interacting and collaborating with customers for co-developing new services”.

Based on the analysis of the examined empirical studies, conducted in different service sectors, it can be confirmed the importance of including in the NSD process of some key factors. Examples of these factors can be features of external and internal organizational environment, such as: relationships with primary stakeholders, consideration of internal resources and employees’ competences, integration of new technologies in product and process innovation. While the gap in the empirical research on NSD in other services sectors was identified. One of these is the postal sector. In this study we aim to eliminate this shortcoming and to identify some features in the creation of new services by postal enterprises.

2.3 Main trends in the Postal Sector

Over the last decades, tremendous technological and organizational changes have occurred in the postal sector of many European countries. Global trends related to the liberalization and privatization, the impact of information technology, the emergence of competition, the change of consumer preferences and habits (Figure 4) - all this, undoubtedly, has led to dramatic changes in the activities of the postal companies (Finger et al, 2005, Sund, 2011).
In these circumstances, the heads and the managers of the postal companies should look for the new ways of recovering from “the postal crisis”. This changing environment has motivated many post enterprises to adopt more sophisticated techniques in the field of innovation, project management and new service development in order to stimulate business efficiency and occupy leading position in the market (Felisberto, 2013; Quiros, 2011).

Despite the importance of developing new services, limited number of researches about NSD peculiarity and main drivers leading to success has been undertaken in the postal sector in comparison with the field of NSD in banking, healthcare sectors and tourism.

3 Research Methodology

3.1 Choice of a case study approach and sampling method

The present research was based on the case study approach. Thus, since our research 1) seek to illustrate “how” and “why” the selected for analysis Postal enterprise develop a new services and 2) require an extensive and “in-depth” understanding and description of a complex phenomena (in our case main features of NSD process in Poste Italiane), the case study approach was preferable (Yin, 2009).

Case study was based on the in-depth semi-structured interviews. For interview conducting was used method of “Snowball sampling” in order to bring the researchers into contact with different people within the organization. The responsible for the Central Public Administration in the business unit BancoPosta, which is also leader of some project teams, was used as “gatekeeper”. As soon as he agreed to participate in the study, he was interviewed first and then he suggested other 2 people who could be interviewed for the purposes of this research: 1) operational manager of the “Matera program” (the city in Italy, where the first pilot project of “Kit del Turista” were experimented) and 2) commercial coordinator. The “maximum variation” was achieved, since the interviewees came from different organizational unit (departments) and organizational levels. They all participate in the development of new service and work in group for new project development “Kit del Turista”.

3.2 Profile of the Postal enterprise under study

Poste Italiane is the largest infrastructure services in Italy. It was founded in 1862 as a state monopolistic company, which was providing the postal and telegraphic services. In the present days Poste Italiane is facing transitional period because of a new state regulation connected with the beginning of privatization process in the company (40% of shares). Due to the extensive presence throughout the national territory, and an exclusive technology platform, has played a central role in the process of growth and modernization of the Country, becoming a model of development recognized at the international level. With 13,310 post offices in 2013 and more than 143,000 workplaces, Poste Italiane is one of the few European postal operators that has not reduced the number of post offices and
employees. Poste Italiane SpA’s organisation breaks down into the following business functions: Postal Services, BancoPosta, Private Customer, Large Account and Public Sector, Marketing Postal Services, Marketing and Management of Logistics Services. The portfolio of Poste Italiane products and services consists of postal, financial, telephonic, philatelic, insurance and services for the citizen. The main strategic directions of Poste Italiane are technological innovation, markets development and products and services development and diversification, each of which is based on client centrality approach.

4 Case study description

Poste Italiane has responded to emerging market challenges by investing heavily in infrastructure designed to renew its service delivery platform and expand its network coverage. This has enabled the Company, on the one hand, to maintain its traditional services while, on the other, diversifying into totally new markets. One of the new markets, to which Poste Italiane paid its attention and noted the potential for the new services development is the tourism industry. Despite the fact that company is not an expert in this area, one of the interviewed managers noticed: “Poste Italiane have the advantage of a excellent knowledge of the Country, due to the infrastructure, covering the whole territory of Italy, including the small cities”. Thus, the aim of the “Kit del Turista” project is creation of the Integrated Touristic System in the Country, which unites 5 specific targets: 1) tourists, 2) local institutions (Region, Tourism Promotion Agencies, Municipalities), 3) public operators (Infopoint, Museums, etc.) and private sector (transport, restaurants, hotels, etc.), 4) Induced companies - SMEs that produce products related to the “Made in Italy”: food and wine, design, crafts, fashion, etc., but also production of digital/multimedia equipment, integrated with the online sales (e-commerce of “Made in Italy”), 5) local community.

The central element of NSD model “Kit del Turista” is a tourist. Her/his stay in one of the art cities is based on the “all inclusive” approach, during all stages of tourist travel experience: before, during and after the trip (Figure 5):

![Diagram of Kit del Turista structure](image_url)

Figure 5 – “Kit del Turista” structure
Moving from the “synergy of production” logic, on which is based the majority of clusters and networks of small and medium enterprises; development of “Kit del Turista” is built on the basis of the “synergy on the client” logic. One of the project group participants mentioned: “The city/territory context can be compare with a supermarket, where every its section use heterogeneous payment systems, communicate in different and not coordinated way, creating confusion among the clients”.

In this project already available assets have an important role:

- **Financial** – 1) PostePay card, which is a basic tool for the Kit functioning (payment for services provided by all operators of the Integrated Touristic System); 2) Sales of voucher Inps (the payment for the services of occasional work takes place through the mechanism of the ‘coupon’, the nominal value of which is 10 euro) with a help of which the tourist who has need of assistance during the trip (babysitting, assistance to elderly and disabled people) can pay for the people who care out this occasional work (youth and people looking for extra income).

  3) Assistance in new business creation (start-up for new entrepreneurial activity).

- **Logistical** - delivery of items purchased by tourists during the trip;

- **Technological** - e-commerce, which permits to transform tourists from the “occasional consumers” to the “long term consumers”, allowing them to make another purchase of a desired product after returning home and safeguarding the authenticity of the trademark "Made in Italy";

This project will have a positive impact not only on the growth and development of Poste Italiane, diversifying the offered services and strengthening its market position, but also on the other components consolidation, such as: 1) Culture heritage recovery and valorization, that is also fundamental asset for the Kit creation; 2) Induced development of cultural services and tourism industry (new employment and companies startup); 3) Implementation of “integrated networks”, cultural/business circuits for tourism; 4) Increase of domestic and foreign incoming tourism (augmentation of consumer spending on cultural services, hospitality and local products), 5) Economic development of territories (travel experience extension due to online purchases related to the previous experience during the stay).

### 5 Conclusion

Which factors are fundamental for the development of new services? In order to answer this question, first of all, we conducted in-depth study of the scientific literature related to NSD and then, empirical validation of our hypotheses.

Development of scientific thought in relation with NSD highlights different drivers that are fundamental for the creation of new services and successful company growth. In our opinion, they all can be divided in 4 main groups, which enterprises of service sector take in account: 1) technology, 2) market and customers, 3) resources and skills, and 4) inter-organizational relationships (suppliers/partners). Based on the analysis of the case study we can conclude that the use of these approaches in order to create new services in the Postal sector is confirmed in practice. In addition, it is worthy of note that in this case the territory has an important role. Its rich cultural heritage and natural resources have contributed to the emergence of new ideas for the new service “Kit del Turista”. Thus, in this case, the developers of the new service was based on a model that can be represented as follows:
In this figure we can see that the central component to create a new service Kit del Turista became the territory of Italy and its features. Around this fundamental asset are 4 drivers that we described earlier. Hence, 1) technologies have been used in the form of mobile applications for consumers, developed for selection of services that will be included in Kit del Turista; 2) customer orientation is a personalized approach and co-creation of an individual set of services, depending on the preferences and requests of individual client; 3) focus on the resources and skills implies the use of financial, logistic and technological assets of Poste Italiane; 4) suppliers and partners play an important role in the provision of services, as they provide tourist those goods and services that became part of the Kit del Turista (museums, restaurants, shops, hotels and others).

Description of the NSD practice that involves underutilized “postal capacity” in the process of providing this service can serve as an excellent example for managers of postal enterprises of other countries that face similar challenges in light of new trends emerging in the Postal sector. The limitation of this work consists in considering the experience of only one Postal enterprises and one developed service. The replication of the study, aimed at the examination of development process of broader range of new services within one Postal organization, and also in other contexts and countries, can provide further insight into the knowledge and the perceptions of Postal organizations about NSD.

References


