

# Gaining Competitive Advantage by Innovation in Different Aspects of Providing Customer Service

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## ABSTRACT

Competitive advantage is a factor or a combination of factors which makes the organization more successful in a competitive environment and competitors cannot imitate it easily (Feverer, 1995). To gain the competitive advantage, an organization should consider its external position (Porte, 1985) beside its domestic capabilities (Barney, 1992). Providing services to customers and its effects on competitive advantages are of important and key discussions in marketing management. Providing services to customers and being customer oriented have an important impact on the success of an organization that is included in gaining competitive advantage. In life today, uncertainty rules over all industries. The economic changes in the work are the issues that organizations always face these days. One of the duties of organizations is to minimize these issues by implementing innovations in their services. Exploiting innovative service opportunities needs development and choosing the best ideas to create new services.

In the present study which is qualitative, conceptual and is conducted using library research and comparative tools, by reviewing background of providing service to customers, it has been tried to identify different aspects of customer service and define innovation in each of these aspects as a competitive advantage for every organization and institution. In the end, it has been tried to present a comprehensive model in each aspect of providing customer service that leads to a competitive advantage. This model can be a reference for all the institutions and organizations which want to gain competitive advantage from providing customer service.

**KEY WORDS:** innovation, competitive advantage, providing service, customer, customer-orientation

## 1- INTRODUCTION

Customers are increasingly pressuring companies to get the best services and products, and companies must concentrate on customers and their needs and consider them in their business activities to gain competitive advantage since business environment today is severely affected by the competition between companies and rapid technological changes and continuous change in customers' needs.

Services sector is considered as a sector whose efficiency is increasing, and whose scope of activities widens day by day. The services sector can be considerably influenced by innovative processes. Thus, accurate management and directing innovations and existing creativities will be of high importance. Today, the concept of innovation is the fundamental of a successful business. With the rapid changes in business environment, a company cannot keep its market, or gain high interest in the long run unless the company has innovation (Doyle and Bridgewater, 1988).

## 2- Statement of the problem and necessity of research

Gaining competitive advantage is one of the subjects that has been considered by a lot of businesses and institutions which are looking for high benefits and sales. On the other hand, providing customer service is also one of the highly used concepts in marketing management that has gained importance among managers. Providing customer service is highly imitative and is easily imitated by rival companies and institutions or loses its attraction among customers and becomes repetitive. This issue often makes it difficult for a given company to gain competitive advantage. In this study it has been tried to identify different aspects of customer service, and introduce innovation factor in these aspects as a competitive advantage.

## 3- LITERATURE REVIEW

### 3-1 Competitive advantage

Competitive advantage is on the important subjects that have been emphasized in strategic marketing and management literature. Theories are put into two categories: traditional theories, and modern theories. Traditional theories included theories like relative advantage and heksherohlin model. According to numerous researches that were conducted on traditional assumptions and theories, modern theory gradually took their place. The theory of competitive advantage is one

the modern theories that was introduced by Micheal Porter in 1990. According to this theory, neither relative advantage nor heksherohlin model cannot explain how to use innovation and creativity in producing goods and services and also international production of these goods using internal resources. In Porter's opinion (1990) "Theory of Competitive Advantage of Nations", which relies on countries' innovation capacity, creativity and initiatives, can explain current conditions. Many definitions for competitive advantage have been introduced by different authors; competitive advantage includes a collection of factors or capabilities which enables a company to show a better performance than its rivals (Burgis et. al, 1995). According to another definition, competitive advantage is a factor or a combination of factors that makes a company more successful than its competitors in a competitive environment and competitors cannot easily imitate it (Feverer, 1995). To gain the competitive advantage, an organization should pay attention to its external position (Porter, 1985) and also consider internal capabilities (Barney, 1992). The organization should think of internal capabilities and competitive position in market interactive- not separate- as sources of gaining competitive advantage and codifying marketing strategy (Holly et al. 2003). Competitive advantage is the result of a dynamic and constant process which is from sources of organization with regarding internal and external positions of the organization and by the ability of using these sources accurately, capabilities are made by which an organization can gain competitive advantage (Feverer, 1995). There are two matters that can be introduced in creating competitive advantage: first, this is a continuous process that leads to better performance of the organization. If the organization is able to create a stable competitive advantage by its own capabilities that is valuable for customers and better than competitors, in fact have shown a better and competitive performance (Fahi and Smith, 1999; McNawton et al, 2002; Liu et al, 2003; Shorchulu, 2002; Lee et al, 2004; Smith, 1995; Akimo, 2002).

Second, due to the increasing environment complications and the level of competition, competitive advantage is either easily imitated by the rivals or loses its attraction among customers and should be replaced with new advantages (Saloner et al, 2001; Porter, 1996; Barney, 1992). Accordingly, an organization should think of stabilizing the competitive advantages (Sirostava et al, 2003; Viravardana and Okas, 2003; Sharky, 2003). Creating and keeping competitive advantage stability needs qualifications that are made valuable among customers by the capabilities of the organization (Brazel et al, 1997). The main objective of an organization in creating competitive advantage by relying on the existing sources and capabilities is to be competitive and gain a better position of performance in the market. In Porter's opinion, every institution makes a defendable position for itself in industry in the long run. This position is an important determinant factor of success of the institution facing the competitors. Therefore, by reviewing the relevant literature and investigating opinions of the strategic management experts, the question of creating and preserving competitive advantage and its stability can be answered i.e. authors believe that organizations need to gain and continue a stable competitive advantage to save themselves from heavy waves of the environment and adapting to competitive requirements.

### 3-2 Providing Services

Many companies that were pioneers in technology, low price, or size, are now competing to provide customer service. Providing customer service includes all the activities that a company does to increase the value of products. The term "added value" in marketing shows the added matters to the product that increases its value for customers ( Rusta and Venus, 2011).

Providing service to customers include all the activities that an organization does to attract customer satisfaction and help them to get the most value of the products or services that they have purchased ( Rusta and Venus, 2011). This comprehensive definition includes everything from the products that are easy to maintain to helping customers to throw away the products that are no longer used.

Everything that is added to a physical product and differentiates it from competitors' products is considered customer service (Rousta and Venus. 2011). Lawluck (1996) defines customer service as activities that increase operational optimization and customer satisfaction. He also interprets providing services to a flower that the main product is surrounded by petals called information, consult, taking orders, hospitality, etc. (McMourian and Wilson, 1996). In Rousta and Venus's *Marketing Management* book, some ways are introduced to marketers by which they can help the company in creating desirable products with good quality. These ways are: helping personnel understand customers' needs, creating quality standards, and developing effective and useful communication. Some characteristics of companies that provide excellent services to customers are introduced in this book. These characteristics are: paying attention to customers' needs and expectations, good behavior with customers, and personnel's tendency to provide services. In understanding customer needs, some factors are named which include: price value, product quality, advantaged and combinations, warranties, problem solving, good purchase experience, and creating priorities for customers.

In Simons's opinion, services in authors view have four main characteristics: invisibility, inseparability, variability, and mortality (Simons, 2001). One the ways that a service institution can distinguish itself from competitors is to provide services with better qualities to customers (Baush, Hakimi). In Parasoraman Model, Zethamel and Berry clarify the main terms of providing services with quality. In this model, five intervals that cause unsuccessful providing services are introduced which are as follows:

- 1- The interval between consumer's expectations and manager's imagination.

- 2- The interval between manager's imagination and technical characteristics of the service quality.
- 3- The interval between technical characteristics of the service quality and how it is provided and delivered.
- 4- The interval between delivering service and external communications.
- 5- The interval between mentality to service and expected service (Cutler. 2001).

In his research on customer service and its importance in clinical laboratories, Anderson introduced 6 aspects of customer service: listening, understanding, need to get opinions, answering, questioning to provide more services, behaving friendly and professionally.

Morris and Davis (1992) believe that customer service activities have 3 aspects: ability to respond to customer needs. Accuracy of transportation, communication about product problems.

Anderson and Narous (1995) stated that providing service by product provider is more important than solving problems, installation of equipment, training, and repairing and maintenance.

Kano's Model::

Doctor Nuriaki Kano divided customers' requirements or in other words qualitative specifications of the products into 3 categories and represented 3 types of requirements on a two-dimensional scale. These dimensions were:

1. The stage in which the product or action works.
2. The stage in which the consumer is satisfied with the product or the action.

Comparing parameters of quality of performance and consumer satisfaction on the two-dimensional scale showed that the definition of quality is much more complex and holistic. The relationship of quality in two dimensions, gave doctor Kano 3 unique definitions of quality which include basic quality, performance quality, and incentive quality (figure 1).

### 3-3 Innovation

Innovation can be defined as the process of getting creative ideas and changing them into a product, services, and new ways of operation ( AghayiFishani, 1998).

Some researchers define creativity regarding to individual characteristics. Some define creativity regarding the product. For example, Creative is forming and presenting new and useful ideas by an individual or a small group of individuals that work together, or according to Nicolson's definition (1995) that states that creativity is forming an idea or a product that is both new and appropriate (correct, useful, and valuable) (Zaki, 2006).

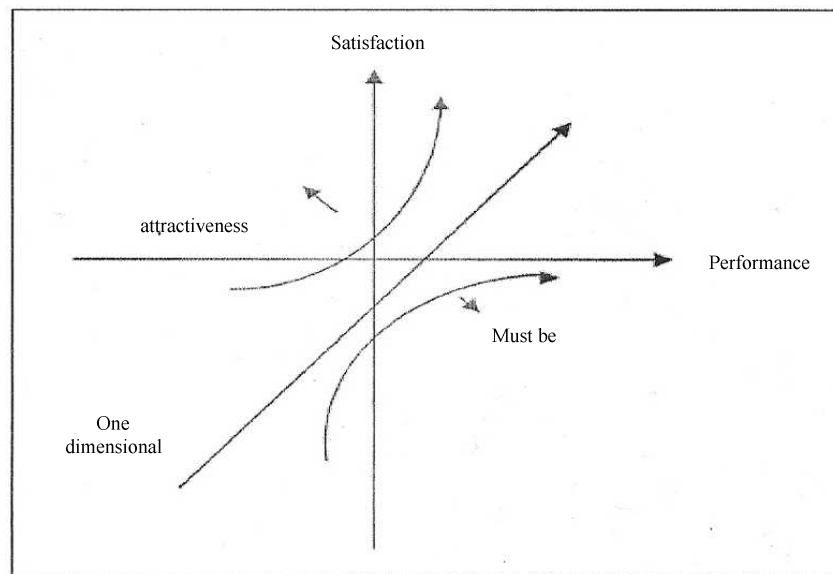


Figure 1- Kano's Model

Innovation can be defined as products or services created for the first time that lead to a business success (Kumer et al, 2000). Innovation is the process of acquiring creative thinking and changing it to a product, service, or a useful operational method. There are three collections of variables that can create innovation. These collections are related to organizational structure, culture, and human resources abilities (Abili and Movafaghi, 2007).

Innovation is also different from imitation. Innovation is time-taking and needs thinking and improvement. In some cases, innovation requires organizations to sacrifice short-term budget initiatives for long-term initiatives. In other words, innovation is a stimulating mechanism that needs thinking of "the day after tomorrow", not thinking of "today or tomorrow" (Li-Hua, 2007).

SCAMPER model:

The most important subject in Kano's model was creativity and innovation in providing services to customers. Doctor Shourn has conducted extensive researches in order to investigate the basics of innovations, inventions, and discoveries and has concluded that all the innovations are on seven bases, as shown in table 1, that according to question, incentive idea is created and the key to its success is on six questions.

Replacement	Q: What can be replaced for product X?
Combining	Q: What can be combined with product X?
Welfare and Compatibility	Q: What facilitates using product X?
Exaggerating	Q: How can we attract attention by exaggerating product X?
Other applications	Q: What other applications can be made of product X?
Eliminating	Q: What can be eliminated from product X?
Reversing	Q: What other applications could be made if product X was reversed?

Table 1- Innovations table in SCAMPER model

#### 4- RESEARCH METHOD

In this study, after library studies and acquiring review of the literature on innovation in services and gaining competitive advantage, first, different aspects providing services were identified by using comparison tools and quality and descriptive conclusions; then, a conceptual model that is about the effect of innovation on these aspects and creating competitive advantage for institutions was presented.

#### 5- RESULTS AND DISCUSSION

By the studies conducted, different aspects of providing services can be divided into two categories: 1- customer needs and expectations, 2- Communication with customers. Both of these categories are divided into subcategories that are:

- a- Customer needs and expectations
  - 1) Creating quality standards in provided product
  - 2) Creating quality standards in provided services
  - 3) Training
  - 4) Advantages and combinations
  - 5) Guaranty and trust
  - 6) Consult
  - 7) Creating priorities for customers
- b) Communication with customers:
  - 1) Respect
  - 2) Listening
  - 3) Understanding (Sympathy)
  - 4) Responding
  - 5) Behaving friendly

Now, innovation factor can be introduced as an effective factor in each of these aspects that a monopoly in services can be gained if it is made. This monopoly can be known as the same competitive advantage that involves high benefits.

The presented conceptual model is illustrated in figure 2.



Figure 2- Presented conceptual model

This model introduces different aspects of providing customer service and also shows innovation in these aspects as a undeniable factor in gaining competitive advantage.

## 6- Recommendations

This model can be used in all the institutions and companies and innovation can be added to the ongoing activities in order to attract customers' attention to products, company, and provided service and gain competitive advantage. This research paves the way for future researches; for example, aspects of innovation in each aspect of providing service can be investigated, or the level of effectiveness of innovation on these aspects in gaining competitive advantage in different industries and companies can researched.

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