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New Services Margin/High Success Discriminators

JOSÉ MANUEL CARVALHO VIEIRA, ELISABETE DE MAGALHÃES SERRA and JOSÉ ANTONIO VARELA GONZALEZ

The present range of services, particularly financial, is subject to high privatisation and competition. Anticipating the future return of new projects is a critical challenge that confronts marketing managers at present. However, the transfer of success models from new products to services has not allowed a global vision of the internal and external environment that best set up the success of new services. Using a sample of 120 new Portuguese financial services (67 successful/57 failures), this study examines the relationships foreseen by a global model of success determinants of new services, i.e., formulates and tests hypotheses relative to the differentiated impact of the strategic and environmental factors on the multiple return indicators. The results of a binary logistic regression analysis suggest that a group of factors that best discriminate between new services of average and high return, through its different indicators that distinguishes the factors, is slightly different and less than one that distinguishes between successful and failed innovations.

INTRODUCTION

Rising participation in relation to services in industrialised economies justifies the growing attention dedicated, in recent years, to understanding its conditions and mechanisms of integration and success in the economic system.

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Experts and academics consider the conception, development and launch of new successful services as a sustainable source of differentiation, value added and approximation to the client.

The literature on marketing services insists on the need to invert the trend so that new services be perceived as generic and easily imitated. Fulfilling this goal will demand, consequently, the adoption of a continual process that will resolve, in a superior and original way, new and existing needs/problems clearly differentiating the experience of the service.

Indeed, investigations of the strategic and environmental factors that determine the success or failure of new services and, especially, explain different levels of positive performance, are still scarce, exploratory and sector based to date. From a methodological point of view, the evolution of a limited focus on the identification of the reasons for success or failure of new services for the joint discrimination of its determinants is being seen. More recently, the analysis has widened to include the identification of the factors that explain different degrees of return, i.e., discriminate between new projects of average and high success. In any case, proliferation of new services on the market demands the more selective placement of resources, supported by more precise forecasts of the performance of new projects.

Following this framework, we propose to verify, first, if the services measure in a different way the performance of its new projects due to different innovation strategies; and second, if the set of discriminates between new services that are successful/failures is different due to the indicators used to capture its performance.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS

In line with the theoretical developments gathered in the literature on marketing services, particularly the empirical results reached by research on the conditions for success of new goods (products/services), this investigation assumes that:

1. The foreseeable and designable character of the success of new services, particularly financial, depends on the understanding that the organisations have of internal/external factors that condition them; and
2. the impact of return determinants of new services (project, process, company and environment) is susceptible to the specific nature (financial/non-financial) of its indicators – the main objective.

Indeed, recent empirical research shows that:

1. the development and launch of new projects is different between products and services, i.e., the success of the latter is not affected, to the same degree

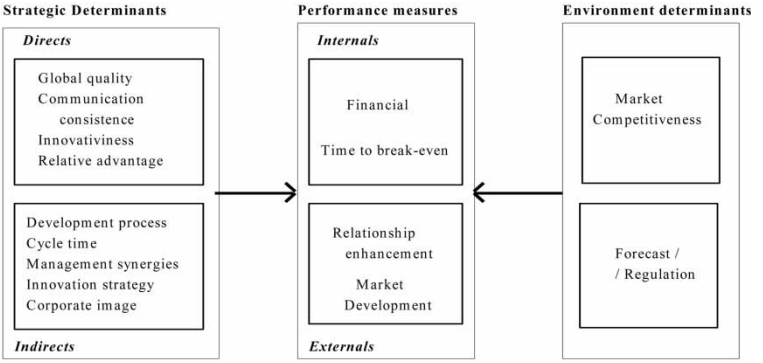
and in the same direction, by the group of determinant factors for the success of new industrial goods [Easingwood, 1986; Brentani, 1989, 1991; Wright, 1990; Cooper and Brentani, 1991; Brentani and Cooper, 1992; Easingwood and Storey, 1993; Athuahene-Gima, 1996];

2. the group of variables with relevant impact on the performance of new services include attributes relative to the new project, to its development process, to the organisation and to the environmental conditions [Brentani, 1989, 1991; Wright, 1990; Cooper and Brentani, 1991; Easingwood and Storey, 1991, 1993];
3. the recognition of the influence of the environmental factors on the performance of the new services is not consensual. Despite being absent from the group of success determinants of the research carried out by Easingwood [1986], Cooper and Brentani [1991] and Easingwood and Storey [1993], it arises associated to 'pressures behind the market' that stimulate the acceptance/rejection of innovation in Beleflamme, Ruyssen, Hourd and Michaux [1986]. Wright [1990] observes, in turn, that the degree of market regulation constitutes a positive conditioning on the performance of new services;
4. the group of factors critical to the performance of the new services varies, in their relative composition and weights, in terms of the financial/non-financial nature of their indicators [Cooper and Kleinschmidt, 1987; Cooper and Brentani, 1991; Jallat, 1992; Cooper et al., 1994];

To investigate the success of new services (low/average/high), the research was based conceptually and empirically on a set of relationships the structure of which foresees (see Figure 1.):

1. The performance of new services derives from a wide group of factors. This investigation intends to capture the influence from the two categories of determinants. First, strategic ('new service global quality'; 'new service communication consistence'; 'new service innovativeness'; 'new service relative advantage'; 'new service development formalisation'; 'new service development time cycle'; 'management synergies'; 'innovation strategy' and 'corporate image'): those relative to the resources and capacities of the organisation; to the quality, relative advantage, superiority and degree of innovation of the new service; to the direction of marketing and formalisation of its development and launch; and to the commitment of top management in creating a co-operative environment that encourages innovation. Second, environmental ('forecast/regulation' and 'market competitiveness'): those relating to the attractiveness and competitive intensity of the target market of the new service, as well as its degree of regulation.

FIGURE 1
GLOBAL MODEL OF NEW SERVICES PERFORMANCE DETERMINANTS



2. The success of new services is a multidimensional construct. To exceed the limits of information captured by traditional indicators, four types of measures were used, grouped into two generic categories. First, *financial performance*: its performance in terms of market share and financial objectives reached, as well as the magnitude of the long term expectations that the company associates to them. Second, *time to break-even*: its short, medium, long initial cycle of profit creation. Third, *relationship enhancement*: its potential to enhance the relationship between the company and its present clients, i.e., strengthening loyalty and profitability. Fourth, *market development*: its potential to build a 'window of opportunity' for entrance into new markets and/or launch of other new services.

METHODOLOGY

Sample and Data Collection

In order to carry out this investigation and design the final questionnaire a summary of the material gathered from reviewing literature and the series of exploratory interviews was carried out. From analysing the information obtained, a group of 67 variables were selected distributed among:

- 45 new project describers: global quality [Easingwood and Storey, 1993]; communication consistence [Easingwood and Storey, 1993]; innovativiness degree [Easingwood and Storey, 1993; Olson, Walker and Ruekert, 1995; Kleinschmidt and Cooper, 1991; Brentani 1991; Wright 1990; Ali, Krapfel and LaBahn, 1995; relative advantage [Wright, 1990; Cooper et al., 1994; Brentani, 1991]; NSD process [Brentani, 1991]; cycle time (NSD) [Ali, Krapfel and LaBahn, 1995].

- 10 company and environment describers: innovation strategy [Wright, 1990; Slater and Narver, 1993); corporate image [Wright, 1990; Easingwood and Storey, 1993]; market competitiveness [Brentani, 1991]; forecast/regulation [Wright, 1990].
- Eight performance indicators and four market, company and services classification factors.

The group was used as a basis for the creation of a 'mail questionnaire' structured into three groups of Likert-type scales of 1–7 points (strongly disagree; strongly agree) that, after being tested, was submitted to managers with direct responsibility in the preparation, launching, and accompaniment of new financial services of 347 Portuguese companies (banks, real estate and investment funds, brokerage, insurance, risk capital, leasing and factoring). The percentage of answers received was 30 per cent (105 companies). However, only 62 per cent of the questionnaires could be considered valid, i.e., 120 new services (63 failures and 57 successful).

Data Processing

To contrast the formulated hypotheses and taking into account the nature of the variables used, a multi-varied analytical sequence was adopted in three phases:

First, identification of the project, company and environment describers that best differentiate the groups of new services. Those that replied previously classified the commercial successes and failures. Given that previous investigations do not provide consistent and valid measures for the models being tested, the different variables were subjected to an exploratory analysis (PCA) to examine eventual underlying relationships.

Based on the dimensions derived from the a principal components analysis (IVs) and on the previous success/failure classification (DVs), the data were submitted to a binary logistic regression analysis to identify the dimensions of the environment, company and new service that best discriminate between success and failure. The objective was not to foresee which new services will be successful or failures, but to see if the success (high/average)/failure can be anticipated by the information obtained on the determinants of performance.

Third, given that the classification previously obtained from those that replied limits the approximation to the underlying dimensions of the success/failure of new services, what is intended is to check whether the factors that show potential to discriminate between positive and negative performance are, also, able to explain high success levels. For this purpose,

its influence on each of the four individual performance indicators (financial performance; relationship enhancement; market development and time to break-even) was tested by a sequence of binary logistic regressions.

RESULTS

New Project, Firm, Environment and Performance Dimensions

Despite the data analysis showing a moderate correlation between the variables relating to the new service, the organisation and the environment (r between 0.19 and 0.44), the results of a principal components analysis with Varimax rotation, show 11 independent factors compatible with the proposed structure of indicators and that together explain 64 per cent of the variance in the original variables.

Despite the high internal consistency ($\alpha = 0.86$) in the performance measures (financial/non-financial), the impact of each of the discriminators identified on each indicator was also explored: (1) internal: 'financial' and 'time to break-even'; (2) external: 'relationship enhancement' and 'market development' (see Table 1), contrasting them in line with the two performance levels (high/average).

Yet, contradicting the indications from the literature, it was not possible to totally confirm that service organisations measure in a distinct way the performance of their new projects, in so far as the sample does not recognise the multiplicity of its indicators. Inversely, the expected variability of

TABLE 1
EFFECT OF PROJECT, FIRM AND ENVIRONMENT DIMENSIONS ON NEW SERVICE GLOBAL SUCCESS/FAILURE: BINARY LOGISTIC REGRESSION

Factors	Coefficient	St. error	*p*
Global quality ($\alpha = 0.64$)	2.2423	0.6305	0.0004
Marketing effort ($\alpha = 0.65$)	2.3894	0.5876	0.0000
Innovation strategy ($\alpha = 0.60$)	−0.3327	0.4199	0.4282
Innovativeness (*to firm*) ($\alpha = 0.82$)	0.6725	0.4555	0.1399
Innovativeness (*to market*) ($\alpha = 0.73$)	1.3120	0.4762	0.0059
Corporate image ($\alpha = 0.56$)	−0.6411	0.4680	0.1707
Forecast/regulation ($\alpha = 0.52$)	−0.6698	0.4483	0.1352
NSD process ($\alpha = 0.87$)	1.5842	0.4958	0.0014
Management synergies ($\alpha = 0.87$)	1.4319	0.4996	0.0042
Market competitiveness (1 item)	−0.0166	0.4271	0.9690
Relative advantage ($\alpha = 0.79$)	1.7236	0.5228	0.0010
Number of observations	102		
−2 Log Likelihood	48.505		
Goodness of fit	108.948		
Cox & Snell – R^2	0.597		
Nagelkerke – R^2	0.797		

the impact of new services success factors, through the different return indicators, obtained full confirmation.

Predicting Success (High/Average)/Failure from Project, Firm and Environment Factors

As we can see in Tables 1 and 2, the results out from succeeding logistic regression analysis show the following.

First, 'marketing effort': by constituting the first discriminator of the success and failure of new services, restates the importance that the empirical literature on innovation assigns to the presence of a high level of marketing effort during the development process and launch of the new products/services (see Table 1.). In the same way, the results on the success (high and average) show that different degrees of marketing effort lead to different performance levels. Excluding the results obtained by the 'time to break-even' measure, the 'marketing effort' gives rise to a strong differentiation between new services of high/average success (see Table 2.).

Second, 'global quality': the high discriminatory power of this factor between total success and failure adapts itself to the evidence of its strong positive influence on the performance of new services (see Table 1). A more

TABLE 2
PROJECT, FIRM AND ENVIRONMENT DIMENSIONS IMPACTS ON NEW SERVICE PERFORMANCES: BIN. LOGISTIC REGRESSION

Performance factors	Financial ($\alpha = 0.79$) (high/average)	Relationship enhancement ($\alpha = 0.52$) (high/average)	Market development ($\alpha = 0.77$) (high/average)	Time to break even (1 item) (short/average)
Global quality	1.0870	0.7102	2.3404**	−1.3907
Marketing effort	1.7434**	1.7295*	1.2692*	−0.6693
Innovation strategy	0.3827	0.2544	0.5793	−0.4588
Innovativeness (to firm)	−0.3341	−0.5217	−1.2864*	−1.5410*
Innovativeness (to market)	1.3887*	1.9270**	0.1546	−1.7849*
Corporate image	−0.1988	−0.3854	−0.2807	1.3317*
Forecast/regulation	−0.0884	−0.2969	1.1451*	−0.7494
NSD process	0.7184	1.1228	−0.6805	−1.0363
Management synergies	1.1388	2.1789*	0.5074	0.3774
Market competitiveness	−0.3355	−0.3288	−0.1645	−0.1980
Relative advantage	1.8501**	0.9418	0.7428	−0.8954
Number of observations	53	53	53	53
−2 Log Likelihood	50.240	48.044	45.553	44.275
Goodness of fit	47.659	40.910	44.319	44.435
Cox & Snell – R^2	0.355	0.381	0.392	0.423
Nagelkerke – R^2	0.473	0.508	0.528	0.565

*$p < 0.05$; **$p < 0.01$; ***$p < 0.001$.

detailed analysis of the individual scales of 'financial and non-financial' returns show that the measure of 'market development' is the indicator that best expresses the differentiating impact of the quality between new services of high/average performance (see Table 2).

Third, 'relative advantage': the strong discrimination that the possession of this attribute operates between new services that are successful and failures is, also, confirmed by the financial results indicators (see Table 1). However, when the results obtained by the non-financial performance indicators are looked at, the relative superiority of the new service does not support the prioritisation of new projects (high/average success) (see Table 2).

Fourth, 'new service development NSD process': the discriminatory power that the quality and the detail of the development activities executes between success and failure is significant (see Table 1). In any way, the results observed in the financial/non-financial measures support the fact that positive performances may be explained by this factor (see Table 2).

Fifth, 'innovativeness': the strong discrimination between success/failure that is due to the innovative intensity of the new service (see Table 1), is consistent with its power to separate new projects of high/average positive 'financial' performance; 'relationship enhancement' and 'time to break-even' (see Table 2). Low 'innovativeness to firm' seems to be a good platform to 'market development'.

Sixth, 'management synergies': the results also show a positive relation between the degree and the quality of internal synergies (marketing, technology, financial and operational ones) and the success of new services (see Table 1). Their intensity and direction are validated at both levels of the 'relationship enhancement' indicator (see Table 2). The pattern observed confirms that management energies increase the probability of high non-financial performance for the new service.

Seventh, 'corporate image': if the corporate image did not integrate a group of discriminators between total success and failure (see Table 1), it is interesting to see the positive impact of this factor in the reduction of the 'time to break-even' in terms of possessing a strong reputation for innovation and quality (see Table 2).

Eighth, 'forecast/regulation level': weighs although this factor does not separate new services that are successful from failures (see Table 1), the specific measure of 'market development' shows a positive impact of this environmental attribute (see Table 2).

CONCLUSIONS

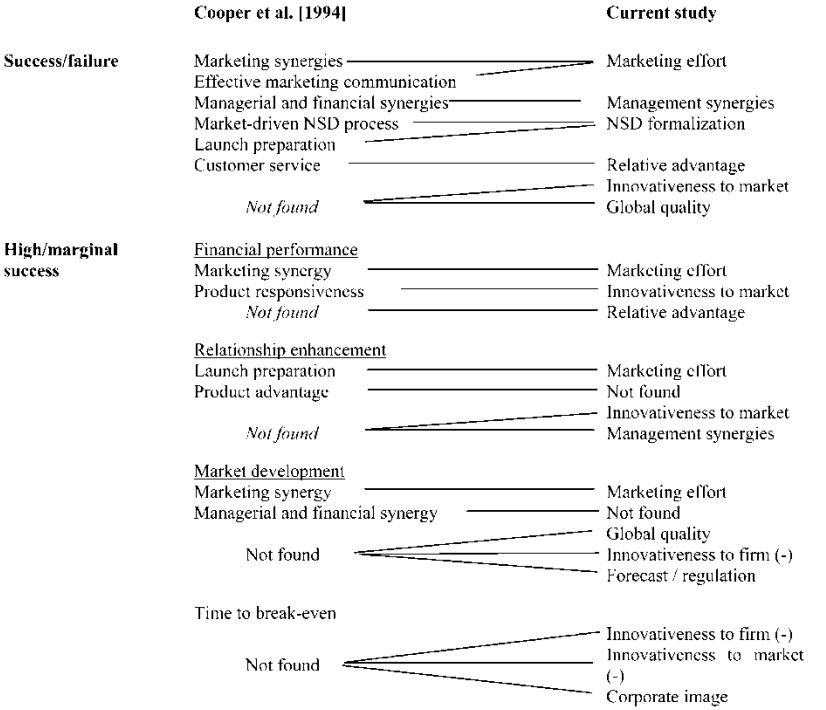
The conclusions that we extracted from the empirical contrasts to which the information gathered was submitted are the following.

First, not observing the significant link of any one of the four performance dimensions of new services with 'innovation strategy' and 'market competitiveness' suggests the reduced degree and quality of orientation to the market by financial organisations operating in Portugal.

Second, the financial and non-financial return of the new services is determined by eight of the 11 strategic and environmental factors foreseen by the global model, namely 'marketing effort'; 'relative advantage'; 'global quality'; 'management synergies', 'innovativeness to market'; 'NSD process formalisation'; 'corporate image' and 'forecast/regulation'.

Third, the group of factors that discriminate between new services of average and high success is, however, slightly different and less than those that just separate successes from failures. Thus new services of high return, global and financial, receive special investment in 'relative advantage', 'marketing effort' and 'innovativeness'; the relationship between the company and its clients is enhanced strongly by new services of greater

FIGURE 2
COMPARATIVE RESULTS



value than those existent, the development and launch of which benefits from many 'management synergies', 'innovativeness to market' and significant 'marketing effort'; new services, the launch of which opens new opportunities for the organisation (projects/markets), are linked to strong investments in 'global quality', 'marketing effort' and 'forecast/regulation', as well as the experience that an organisation has in development, production and commercialisation; the significant reduction in the initial returns cycle of the new service – 'time to break-even' – is only obtainable if the company enjoys a strong 'corporate image', and the service is sufficiently familiar to both the company and the market; and the direct comparison with the results from the Cooper et al. [1994] investigation suggests that the platform for prioritising new projects will be more complex as the number of contextual describers are included increases (see Figure 2.)

Finally, several future research opportunities arose from some of the constraints of this research. The aggregated treatment of the group of determinants did not allow the observation of individual behaviour. Future investigations may concentrate more specifically on the success factors already identified, modelling and defining their individual and interactive influence on the returns from new services. Notwithstanding the progression seen in the quality of the results obtained by the complementary use of comparative approaches between new services that are successful (average/high) and failures, it would be interesting to widen the present analysis to projects of new services that do not reach the launch stage.

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