

IDENTIFYING SERVICE GAPS

On Thursday, May 1, we will spend part of the class session on an in-class project in which you will be asked to

- identify a segment that is currently not being served well with a desired service; and
- consider the possibility of whether more suitable services could profitably be supplied.

You will have the entire class meeting to work on issues in offering services for this segment, including an evaluation of whether offering this service would be feasible and cost effective.

For up to ten points extra credit, you may identify a service gap and evaluate its attractiveness for new or existing firms. If you choose to do this extra credit assignment, you should write and turn in by the beginning of class on May 1 a brief discussion of:

- What the service gap is;
- What is/are the segment(s) that are currently not being served well and how sizable are these segments;
- How serious and significant the gap is;
- Ways in which a firm might offer a solution to the service gap to one or more of the affected segment; and
- An evaluation of (a) problems in providing its service, (b) the likely cost effectiveness and potential profitability of this service, and (c) the likelihood of attracting competition if the offering were to be successful. (It is OK if you conclude that offering this service is ultimately not appropriate—it is better to give thought to an idea and then abandon it than it is to discard a promising idea prematurely).

Example: Many people are becoming increasingly concerned about crime and may be interested in buying firearms. Certain more “mainstream” consumers—both men and women—may be uncomfortable with traditional gun stores that they may perceive as focusing more on “hard core” customers. These newer customers may need more help in selecting a weapon and getting training and may prefer a sales person and store atmosphere that are more compatible with these needs. This is potentially a large segment because the market is growing and has so far been less “tapped.” Offering this kind of service would be considerably more expensive, but it may be feasible since this group may be willing to pay more. There is also an opportunity to make money on the training. There is some potential for competition, but a “first mover” into this market could develop a reputation and get a great deal of business by word of mouth.

During our class meeting, individuals who would like others to join them in evaluating a service gap opportunity will be asked to write a brief description of the gap on the board and then hold up a sign inviting others to join them.

Gaps tend to come about for a variety of reasons, including:

- legal restrictions that may preclude a particular service--e.g., in some countries, only certain stores are allowed to sell specific kinds of merchandise, and, having a monopoly, these may be open only Monday through Friday;
- existing firms have not provided as high level of service as desired, and consumers either demand more service to buy the product or would pay more to have the improved service—e.g.,
 - Clothing retailers for tall women. A number of “big and tall” stores exist that sell clothes to tall and/or heavy men. Unfortunately, because many tall women would rather be perceived as “average” than tall, there is often less of a desire among this group to shop in tall shops. However, the selection available in ordinary stores for

tall women is often limited. Tall clothing can, of course, be special ordered from conventional stores, through catalogs, or online, but this approach limits the ability to try on available merchandise. A number of tall women's clothing stores go into business, often charging considerably higher prices than conventional stores, but many fail. Are there any innovative ways to serve this market?

- Mobile auto repair. Many consumers have difficulty scheduling auto repair for their vehicles even though many of the repair facilities provide shuttle rides back to the job. One option is to try to provide the repairs at the parking lot at the customer's work site; another might be to have an employee of the repair facility actually pick up and return the car before the customer goes home.
- College textbook delivery. At the beginning of each course session, many students stand in long lines to obtain textbooks and run a risk of receiving the wrong one. Many might like to have a cart come to the classroom on the first day of class, allowing an immediate purchase.
- Mobile beauticians and hair stylists. Although some beauty salons are open during evenings and week-ends, most of the hours available are during regular business hours. With busy work schedules, many women might like to be able to have a beautician, hair stylist, and/or manicurist come to her some after work so that time can simultaneously be spent with the family.
- A segment of consumers is hesitant to pay the high costs of current service levels and would either (1) switch to a lower cost provider offering less service or (2) start buying under such a lower cost scenario. In the past, certain gaps were found and addressed by entrepreneurial firms—e.g.,:
 - Many investors switched to online brokers charging lower fees while not offering as many services;
 - Low cost stores such as Wal-Mart and Food 4 Less have taken share away from higher cost stores;
 - Some travelers have started to do online bookings rather than going through a travel agent.

It is more difficult to visualize how an existing service could be provided attractively at a lower price. However, a number of services are currently quite expensive, and cheaper versions would be of great interest to many consumers:

- Automobiles and maintenance;
- Auto insurance;
- Home maintenance;
- Cable or satellite television;
- Banking--checking accounts, credit cards, consumer loans, home mortgages, and business loans.

Here, then, the objective would be to try to find a less expensive way to provide these services. This may entail eliminating part of the service that may be less important to the group in question. For example, Ikea keeps costs down by selling unassembled furniture to consumers who are willing to do the assembly themselves.

You will be asked to (1) identify the gap, (2) identify segment(s) involved, and (3) evaluate the commercial potential of the gap—can it be profitably served? What kind of competition might result? **Please note that this is NOT an exercise in finding a new product that consumers might like—service must be an integral issue.**

Before leaving, please turn

- For each team, a list of team participants and
- For each individual, a one to two paragraph of something you found especially interesting in your discussion.