



Quantitative Service Research: Making an Impact

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Some Basic Beliefs About Service (and Marketing) Research

Research should be motivated by an underlying (1) substantive, (2) theoretical or (3) methodological problem

- => the first type of research is driven by the development of the service sector itself, its needs, emerging challenges; it should usually address an important (pressing, financially relevant) real-world management problem, on a more or less abstract level and in a somewhat generalizable manner
- => the second type of research can have very high impact (on the academic community!), is relatively more rare, is often very hard to do, and the number of topics to be addressed is relatively more limited
- => the third type of research improves the way we actually do research; it is often greatly inspired by research outside of our core discipline (i.e., psychometrics, statistics, sociology...)
- This presentation focuses on the first type of research

Quantitative research on substantive issues

- Research should be motivated by an interesting, relevant, and clearly defined question
 - *Interesting*: Something you would be discussing with your friends (as fellow consumers), with a manager (as decision maker), or a policy maker
 - *Relevant*: Doing things differently would change business models, financial outcomes, customer relationships or another important target variable
 - *Clearly Defined*: „Grandmother test“

Quantitative research on substantive issues

● Problem Development Process

- Be inspired by practitioners, policy makers, customers
- “What are the three things that make you wake up at night?”; “What is the most important decision you will have to make this year?”
- Transfer questions on to a more abstract level; where, from a conceptual/theoretical perspective, is the problem?
- What kind of data would be needed to (partially) address and solve the problem?
- Decide on whether you need to cooperate (with industry, policy makers etc.)
If so,
 - view as investment (risky, long-term, contacts, data and feedback as strategic assets)
 - Be very, very patient (you are low on their priority list, they do not stick to timelines, change jobs and do not live up to their promises)
 - Be aware of sensitive issues (data privacy, power fights, unions etc.)
 - Show and discuss your results

Two Case Studies

- Case Study One:
Florian v. Wangenheim & Tomás Bayón (2007): Behavioral Consequences of Overbooking Service Capacity, JM (Oct), 36-47.
- Case Study Two:
Markus Wübben & Florian v. Wangenheim (2008): Instant Customer Base Analysis – Managerial Heuristics Often “Get It Right”, JM (forthcoming).

Behavioral Consequences of Overbooking Service Capacity

- Airline marketing manager: “And then we have this issue, that all other airlines increase their overbooking rates, and our CEO wants that, too. We think we should not, but we do not have arguments; it must be somewhere in the data, but we do not have the time to look at them.”

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Methodology

- **Dataset**

Random sample of 330,000 airline customers (anonymized data); in addition, all customers that have experienced one of the three events (downgrading, denied boarding, upgrading) in the first six months of 2002.

- **Dependent Variables**

Quarterly transaction data between January 2001 and March 2004.

Quarterly revenue data between January 2001 and March 2004.

- **Independent Variables**

Upgrading (yes/no) 1st half 2002, n = 2283 (yes)

Downgrading (yes/no) 1st half 2002, n = 556 (yes)

Denied Boarding (yes/no) 1st half 2002, n = 835 (yes)

Methodology

- **Methodological Challenge:**

Treatments do not happen at random: Higher likelihood for treatments as flying behavior increases, but: Lower likelihood for negative treatments with a certain status level.

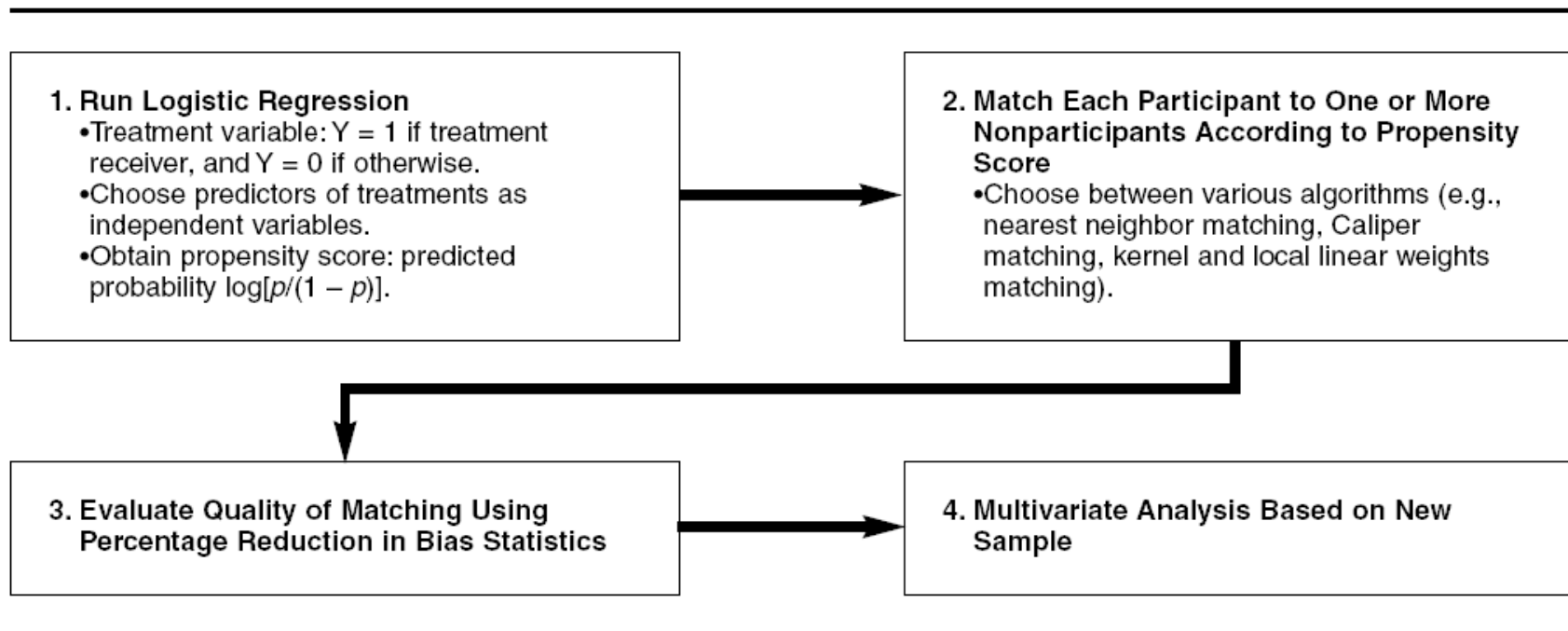
Table 1: Mean Differences Between Receivers and Non-Receiver of Treatments

	<i>Control</i> (N=330,000)	<i>Down</i> (N=556)	<i>Deboard</i> (N=835)	<i>Up</i> (N=2283)
<i>NUMBER OF FLIGHTS 2002 01-06</i>	6.61	15.84	15.59	16.00
<i>% GOLD & SILVER STATUS</i>	25.0%	61.7%	50.1%	59.2%
<i>REVENUE 2001</i>	1565.20	5506.16	3842.21	4355.11
<i>MILES 2001</i>	24337.50	71270.63	55262.70	63400.03
<i>% FEMALE CUSTOMERS</i>	28.5%	10.9%	19.7%	18.9%
<i>AGE</i>	41.61	42.30	41.02	42.38

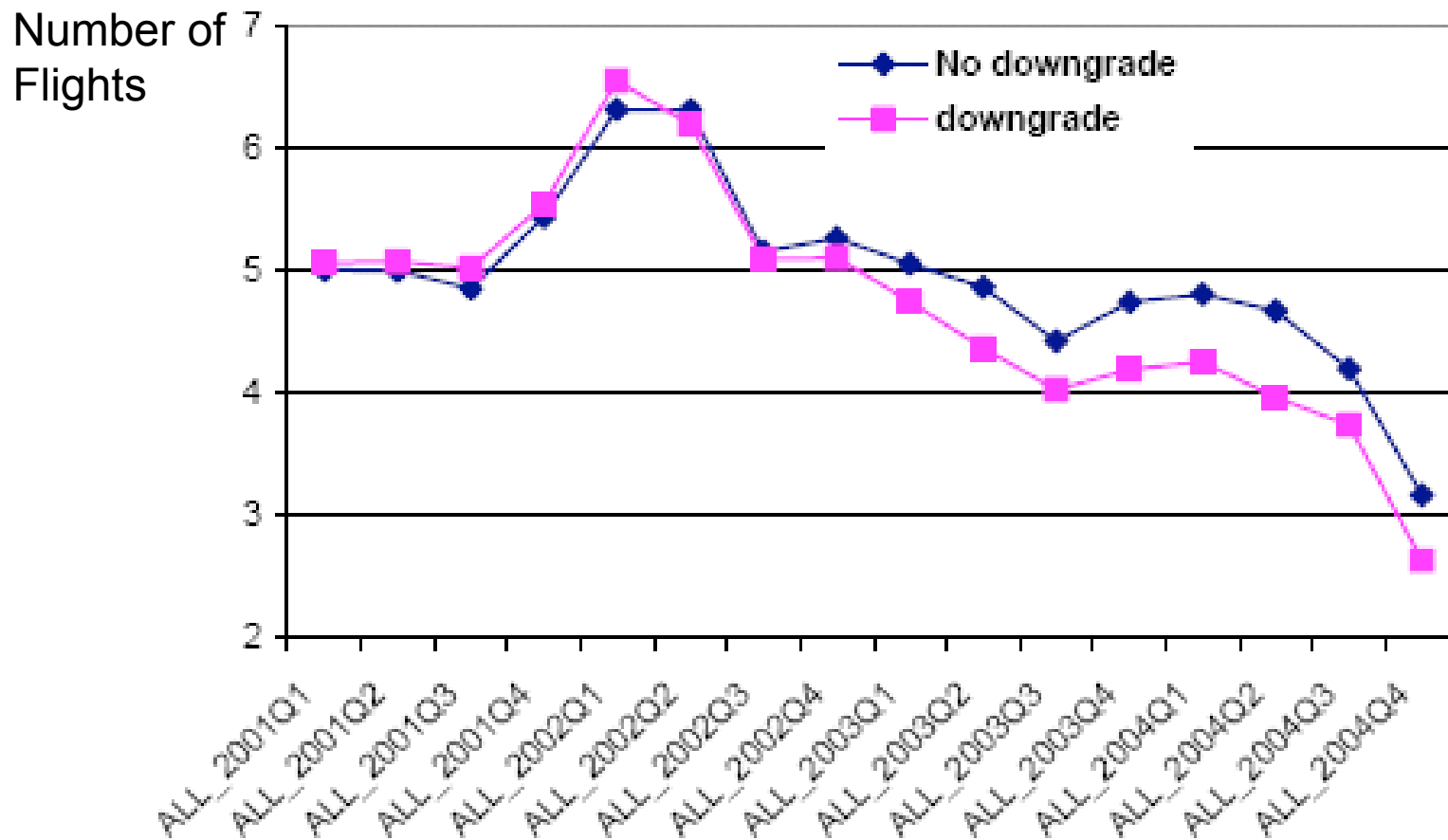
- Comparison with random group does not produce valid results.
- Therefore needed: “correction strategy” that accounts for the selection biases in making estimates

Methodology

FIGURE 1
PSM Procedure



Exemplary Results



Instant Customer Base Analysis (Non-Contractual Setting)

- We: “How do you select customers for mailings, perks, or revival activities?”
- Retailer: “Oh, that’s done using the customer database, and our past experience. When someone hasn’t purchased for nine months, his status is changed to inactive, and we try to revive the relationship. And, to select our, say, 10% best customers, we simply address the 10% best customers of the past.”
- “So, you are not using forward-looking or prediction models?”
- “No, but we believe our models work well. Plus, all the hassle and then implementing something we don’t even really understand...”
- => research question: how much better are complex models developed in customer base analysis research as compared to simple heuristics commonly applied by managers, in classifying customers as (a) active and (b) high-value customers?

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Findings

- Complex models developed in the literature not at all superior to VERY simple heuristics
- In many cases, simple heuristics even better
 - Need for validating many other models that we take as „givens“ but that have never been validated using managerial decision areas as validation benchmarks

In Conclusion

- All you have to ask yourself and others continuously is “what kind of developments are going on? Where can I, perhaps at a very early stage of a new research theme and area, develop innovative questions and make an impact?”

Today:

- Internet services and internet marketing
 - Search engine marketing
 - Online gaming
 - Affiliate marketing
 - Merging the online and offline worlds
- Technology services and service technologies
 - RFID and GSM
 - Remote and mobile services



Thank you very much!

Questions, Comments?