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MARKETING STRATEGY AND NEW PRODUCT DEVELOPMENT
IN THE UK CREDIT CARD INDUSTRY

JONATHAN SPENCER VICKERS

Doctor of Philosophy

THE UNIVERSITY OF ASTON IN BIRMINGHAM

July 1993

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The University of Aston in Birmingham

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THESIS SUMMARY

The development of new products in today's marketing environment is generally accepted as a requirement for the continual growth and prosperity of organisations. The literature is consequently rich with information on the development of various aspects of goods products. In the case of service industries, it can be argued that new service product development is of at least equal importance as it is to organisations that produce tangible goods products. Unlike the new goods product literature, the literature on service marketing practices, and in particular, new service product development, is relatively sparse.

The main purpose of this thesis is to examine a number of aspects of new service product development practice with respect to financial services and specifically, credit card financial services.

The empirical investigation utilises both a case study and a survey approach, to examine aspects of new service product development industry practice relating specifically to gaps and deficiencies in the literature with respect to the financial service industry. The findings of the empirical work are subsequently examined in the context in which they provide evidence and support for a new normative new service product development model.

The study examines the UK credit card financial service product sector as an industry case study and perspective.

The findings of the field work reveal that the new service product development process is still evolving, and that in the case of credit card financial services can be seen as a well-structured and well-documented process. New product development can also be seen as an incremental, complex, interactive and continuous process which has been applied in a variety of ways. A number of inferences are subsequently presented.

Key phrases/words: financial service products
new product development practices
UK credit card industry
normative model

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Chapter One

The Purpose and Significance of the Study

1.1 Introduction

Service industries, despite changes in the economic environment, have continued to enjoy phenomenal growth during recent years. They are important in advanced industrial economies in terms of both employment and gross domestic product. More people are employed in services than manufacturing organisations, and the service industry accounts for more than sixty per cent of the total UK output, (Rajun 1987, Graham, Beaston and Wells 1989, Millward 1990). It is expected that this trend will continue (Trodsen and Edfelt 1987, Smith 1989, Hallett 1989, Henley Centre for Forecasting 1989).

Although the importance of service products has been widely recognised, the area of new service development is poorly documented, particularly in terms of the problems involved in the marketing of services. It is only in recent years that the literature on the marketing of services has begun to address many of the practical problems faced by practitioners. Consumer and industrial goods products have provided the major force for enquiry and research, by both academics and researchers. As a consequence, substantial insights and understanding have been

gained with respect to the application of marketing management science in terms of concepts and techniques.

It is now generally accepted that service products differ from manufactured or goods products in a number of significant ways. These differences have been the centre of debate and discussion in the literature, as to how these differences reflect marketing practices in service organisations and the implications for marketing management. This controversy over the similarities and or differences between goods product and services product marketing, has encouraged many researchers to examine the applicability of concepts and tools to a wide range of service industries. Coverage in the literature includes applied marketing (or aspects of it), to service situations like: banking, building societies, insurance, legal, leisure and recreation, transportation and retail services etc.

The financial service industry, as one of the most important service industries to the economy, has experienced a number of accelerating changes and developments, some of which reflect trends in the political and business environment, with others being a consequence of technological and economic change. In particular, recent legislative changes have substantially altered the regulatory framework, allowing formerly non-overlapping financial institutions to compete, intensifying the immediate competitive environment. Likewise, changes in the social and cultural environment have changed customers' attitudes and buyer behaviour with respect to financial service products.

The key to future growth and prosperity of organisations providing both goods products and service products, is widely acknowledged in the literature to be their ability to develop new products. New product development has similarly been generally associated as a high risk business activity. Despite its importance, new service product development (NSPD), has received relatively little attention in terms of both analytical and empirical research.

This is in contrast with new goods product development, which has received in comparison substantial attention, resulting in many insights, and a rich literature relating to the success and failure of New Product Development (NPD) programmes.

Practitioners developing new financial service products have to rely to a great extent on limited research, and on extrapolating the results of the new goods product literature, in the hope that the findings are applicable to their sector of the industry. In particular, the marketing literature is inclined to portray new service product development decision-making with respect to financial services in terms of activities that are isolated from, and independent of, the organisational context in which actual NPD marketing decisions are made. In other words, it is argued that much of this literature like the marketing literature as a whole, (Bonoma 1985), lacks a practical dimension in terms of how we implement NSPD programmes.

The development of new financial service products has a number

of differences or challenges with respect to the development of new goods products, (Klivans 1990, Gupta and Torkzadeth 1988, Watkins and Wright 1986, Donnelly, Berry and Thompson 1985, Wong and Perry 1991). Firstly, because financial services are intangible, new financial service product concepts are difficult to describe to prospective purchasers relative to goods product because of the difficulty in conceptualising and evaluating the actual service component, (Easingwood and Storey 1991, Wong and Perry 1991, Brentani 1989, Furlong and Ritchie 1989, Watkins and Wright 1986, Davies 1974).

Secondly, financial services are not divisible. As a result, customers are less likely to try a financial service. In practical terms this aspect means that once a customer starts to use a particular financial service, there is no automatic end to the relationship between the service provider and service purchaser. Although this can be regarded as a strength in terms of retaining customers, it is also a weakness with respect to obtaining new ones (Easingwood and Arnott 1991, Wong and Perry 1991, Davison, Watkins and Wright 1989, Lewis 1987, Furlong and Ritchie 1989, Bliss 1988).

Thirdly, customer interest in financial services is generally low for many segments of the market, consequently financial service organisations have particular problems in convincing customers that new financial service products can satisfy needs they have difficulty visualising or understanding (Furlong and Ritchie 1989, Watkins and Wright 1986, Stewart 1991, Donnelly, Berry and Thompson 1985).

Fourthly, financial service organisations have been generally slow to adopt marketing management perspectives and practices within their organisation and as a consequence many still retain the traditional 'banking' culture (Ennew, Wright and Watkins 1989, Easingwood and Mahajan 1989, Hooley and Mann 1987, McIver and Naylor 1986, Cowell 1984, Meridan 1983, Levey 1973).

1.2 Purpose of the Study

Based upon the above, there are five primary objectives of the study.

Firstly, the identification of gaps and deficiencies in the new product development literature(s) with respect to the development of new financial service products.

Secondly, to make a theoretical contribution to the New Service Product Development (NSPD) literature in the context of filling gaps in the literature, and specifically with respect to:

- (a) Process Characteristics
- (b) Organisational Context - Structure and Culture
- (c) Role of Information Technology
- (d) Process Acceleration and Organisational Design
- (e) Decision Process
- (f) Internal Competence Co-ordination
- (g) Limitations of Existing Normative Models

Thirdly, the development of a new NSPD model for financial service products, together with a framework and mechanism for process implementation.

Fourthly, to test the proposed new NSPD model for financial

services as to whether it represents reality, in the context of support and evidence received from empirical studies with respect to five research issues which are listed below.

- 1) Whether financial service organisations operating in complex and dynamic environments need to accelerate new service product development, and whether credit card organisations exhibit factors which can cause a delay in the new service product development process
- 2) How such organisations organise themselves in terms of their structure and people in order to implement the development of modified existing, bundled, and new financial services
- 3) To what extent financial service organisations operating in complex and dynamic environments, monitor their environment and undertake marketing research activities in order to develop new service products
- 4) Whether financial service organisations adopt any distinctive NSPD practices and techniques with respect to the generation of internal 'know-how' or competence co-ordination.
- 5) To what extent financial service organisations use enabling technology in NSPD and, in particular, its influence on internal competence co-ordination in terms of service product outcomes with respect to efficiency and product improvement.

Fifthly, the generation and examination of propositions with respect to the above five research issues which were identified

as gaps in the new service product development literature, through direct and indirect questioning methods, using both inductive and deductive research methods.

The study explores the UK credit card financial service product sector, as an industry case study and perspective.

1.3 Significance and Importance of the Study

The present study is considered important for the following reasons.

Firstly, its importance in terms of academic significance to marketing management understanding. The significance of this study stems from its concern with an area of marketing management, the development of new financial service products, which has received only limited academic attention. The specific focus of the study is to identify, describe, and understand the relationships of various management interfaces with the NSPD process so as to forge a new synthesis of our knowledge of NSPD. It is hoped that the study will assist both marketing academics and researchers, by providing a basis for understanding some of the conceptual issues and dimensions of NSPD with respect to the normative model. Likewise, it is hoped that the study will provide an insight into an area of financial services NSPD and so facilitate conceptual development, and will also produce the impetus for further investigation of the NSPD process with respect to other sectors of the financial service industry.

Secondly, this study is undertaken in the desire to help managers in the financial service sector, and in particular to help the

UK credit card industry to understand NSPD in a broad organisational context. Also, the study examines the inter relationships that exist between different business functional areas of the organisation, and the iterative nature of the NSPD process. In this way, the study constitutes further research into the financial service industry in general, and the UK credit card industry in particular. However, the important criterion for such diffusion is that of relevance. By that, it is meant that the managers of the credit card financial service industry should examine the extent to which the direct transfer of marketing concepts, tools used in new goods product development activities, can be valid in the case of financial services. In other words, managers may find that some of these NSPD activities are used in a similar way to those used in new goods products development, some need more modification and/or emphasis, while others may not be relevant to their business at all.

Thirdly, the present study should provide useful information which may enable managers in financial service industries in general and the UK credit card industry in particular, to identify specific areas of NSPD activity for possible improvement, particularly with respect to implementation.

Fourthly, the present study is significant in that it examines a sector of industry which has a major impact on the nation's economy ie, credit card financial service products. The importance of credit card financial services can be seen not just in terms of turnover, profit and employment, but also its impact

on other spheres of the economy, in particular its effect on consumer spending.

1.3 Organisation of the Study

This study is organised into eight chapters, the first of which is the introduction.

Chapter Two is an industry perspective which briefly examines the UK Credit Card financial services industry. It discusses the industry's special characteristics described in marketing mix terms with respect to its present and potential customer base. It also discusses the marketing environment in which the industry operates, and explains the justification for an examination of the industry's new product development practices as an industry case study.

Chapter Three is a review of the new product development literature. The review is based on an understanding of marketing as an integrative multi-disciplinary business activity, directed towards the achievement of organisational goals and objectives by the adoption of a management philosophy dedicated to serving customer needs and wants. The NPD literature is examined from two perspectives. Firstly, the literature is considered as a whole. Secondly, an examination of the literature is made with respect to the extent of and degree of completeness of integration which exists between the various business functional areas that are directly or indirectly involved in the NPD process. In particular, the relationship between business functional areas and marketing is also considered. The chapter is divided into three sections. Section One examines extant knowledge with respect to new goods products. Section Two examines extant

knowledge with respect to new service products, and focuses on the development of new financial services. This is then followed by Section Three, the identification and justification of significant deficiencies and gaps in the literatures, focusing on new financial service product development.

Chapter Four presents a theoretical contribution in two areas. Firstly, a number of aspects of the literature relating to deficiencies and gaps identified in Chapter Three are further discussed, thus making a contribution to the literature, and leading to the identification of the research issues.

Secondly, the development of a new NSPD model for financial service products, together with a framework and mechanism for process implementation, is discussed.

Chapter Five discusses the development and justification of the research methodology with respect to the collection of the empirical data.

Chapter Six is a presentation of the results of the empirical studies. It details the generation of the working propositions with respect to the research issues and their subsequent examination.

Chapter Seven is a discussion of the findings relating to the results of the empirical data with respect to the research issues, the working propositions and the main thesis objectives and stated hypothesis.

Chapter Eight presents a summary of the main conclusions and findings, discusses the contribution of the study, considers its limitations, and where possible, makes recommendations and suggestions for further research to be undertaken.

Chapter Two

Credit Card Financial Services : An Industry Perspective

2.1 Introduction

This chapter is an industry perspective which briefly examines the UK Credit Card financial services industry and explains the justification for an examination of the industry's new service product development practices as an industry case study. The chapter begins by giving a brief history of the development of credit cards in order to set in context the research study, and includes a description of the credit card transaction process. It includes a definition of credit card financial service products which differentiates it from other card service products.

The chapter proceeds to review the recent research studies relating to credit card financial services. This is then followed by an examination of the external environment and turbulence, which characterises the UK Credit Card industry. A brief overview of the competitive environment which includes industry structure, size and cost structure, is subsequently discussed. The chapter then goes on to discuss credit card service levels,

market segmentation, marketing mix and marketing strategy with respect to NSPD.

Finally, the chapter concludes by discussing the basis by which credit card financial service products are an example of a financial services industry which has limited direct customer contact and is developing new financial service products in a complex and dynamic organisational environment.

2.2 A Brief History

The credit card concept was first introduced as a method of payment in the USA. However, the concept of credit is very old: in one form or another it has existed for centuries. In the UK in the 1880's, the Provident Clothing Group issued vouchers that could be used for purchases from listed shops with repayments by instalments. The first credit card in more recent commercial terms dates back to about 1914, when General Petroleum Corporation of California supplied cards to its employees and certain customers. Nearly twelve months later, a number of hotels and department stores, issued what was then called 'shoppers plates' which allowed customers using them to purchase goods or services from any of the issuers' outlets. The early credit cards were metal or cardboard.

The first credit card whose use was not tied to a particular store or group of retailers, was invented by Frank McNamara, and formed the basis of Diners Club, which came into being in 1924. In the strictest sense, these card service products were not as we now define credit cards, but were, charge cards. The

principal idea was to form an organisation whereby membership of that organisation was identified with credit worthiness. Diners Club then sought payment from the members responsible for individual debts. As a consequence, it did away with the 'shoppers plates,' and became the first customer card as opposed to retail card. The cardholders were required to pay an annual fee and were obliged to settle their accounts monthly with no actual provision for extended credit. Likewise, the retailers, originally hotels and restaurants now termed merchants, were also charged a commission on transactions made with the card. Diners Club went on to be incorporated in 1950 and was subsequently joined by American Express in 1958, as an extension to their travellers cheque business, and by Carte Blanche in 1959. In 1947, the first US bank entered into the credit card market. Flatbush National Bank issued its 'Charg-it' card, which was a type of monthly charge account confined to customers of the bank. This was followed in 1951 by the Franklin National Bank of New York, who issued the first cards to customers of other banks. These cards resembled today's travel and entertainment cards, such as American Express and Diners' Club, although they did not charge a membership fee. Revenues were based on merchant discounts and free credit was extended over the billing period, of thirty days.

Through the 1950's, on a USA state-by-state basis, many banks followed but with a card which introduced the concept of revolving extended credit. Cardholders were now given an extra feature of the option of repaying all or a proportion of the outstanding credit, and paying interest on the balance remaining.

Until 1966, bank cards in the USA were local or regional in nature and almost all credit card schemes were run independently, rather than jointly or by association.

The cost of market entry coupled with the fact that in most cases credit cards were only accepted by merchants in the issuing banks's immediate area, were major obstacles to the rapid spread of credit card schemes. Consumers were not interested in credit cards unless they were widely accepted, but for merchants to accept the cards, they needed to be in the hands of many potential customers. To get around this problem, banks in the first instance sent unsolicited cards to consumers. Russell (1975), reports on the huge fraud and credit losses. As a consequence, some banks discontinued or sold their schemes after a few years of unsatisfactory performance .

In response to these problems, the first national credit card scheme was started in 1966. Bank of America began the nationwide clearing of credit card slips and the nationwide licensing of banks to issue cards using the name BankAmericard, later named Visa and owned by Visa international. Several other large banks formed the Interbank Card Association, later known as MasterCard International, which formed the second national card scheme.

In 1965, the National Provincial Bank introduced the first UK cheque guarantee card, which was followed a few months later by the majority of UK banks. In 1966, Barclays Bank UK became a licensee of Bank Americard and subsequently Visa. The launch of Barclaycard was the first credit card in the UK. The other major UK banks were generally more cautious about the profitable development of credit cards. During the next six years,

Barclaycard expanded the UK credit card market with some considerable success, with customers from its own bank and other UK banks. Some considerable indirect commercial benefit was also received by Barclays Bank as a result of its credit card financial service product.

As a consequence of Barclays' success, the National Westminster Bank, Midland Bank and Lloyds Bank agreed in 1971 to jointly establish a credit card financial service scheme in direct competition with Barclaycard. In 1972, these three banks, together with Royal Bank of Scotland, Williams and Glyn's Bank, formed the Joint Credit Card Company, JCCC, to administer the Access branded credit card.

Between the period of the launch of Barclaycard and Access, a separate European system, Eurocard, started to evolve from Sweden. This was the product of Finansierings AS Vendor which owned two domestic card systems, Kopskort and Rikshort. By 1968, thirteen European countries were involved with Eurocard, and in the same year, they joined the Interbank Association using the MasterCard logo.

From 1972 onwards until 1989, the other UK banks aligned themselves with either Visa or Master Charge organisations. At first, all Visa cards were issued and processed by Barclaycard and under these regulations Yorkshire Bank, Bank of Scotland, Allied Irish Banks and the Co-operative Bank operated credit cards.

In 1979, the Trustee Savings Bank became a member of Visa International direct, and began issuing its own Visa Card called Trustcard. Initially, the physical operations were performed at

a fee by Barclaycard. In 1980, the Trustee Savings Bank established its own operations. A year later, the Co-operative Bank became a member of Visa International, followed in 1982 by the Bank of Scotland, and in 1985 by the National Giro Bank. In 1983, a number of building societies offered to their shareholders and depositors, Visa or MasterCard Credit Cards in co-operation with sponsoring banks. Changes in the Financial Services Acts 1986 subsequently allowed Building societies to become direct members of Visa International. In 1980 and 1988 the credit card financial service industry was subject to a Monopolies and Mergers Commission investigation. The investigation explored interest rates charged by credit card organisations, together with their terms and profits, as well as barriers to entry into the market. In 1989 Barclays, Lloyds and Midlands joined the MasterCard international to become dual UK card operators. Similarly National Westminster and a number of other banks joined Visa international to become dual operators. At the end of 1989, the Joint Credit Card Company ceased its main processing activities and an independent processing company, Signet, was formed to process credit card transactions. A chronology of the events is shown in figure 2.1

Credit card service product chronology

- 1914 - General Petroleum Corporation of California supply cards to employees and certain customers.
- 1915 - 'Shopperplates' allow the supply of goods or services to customers of specific hotels and department stores.
- 1924 - Diners Club formed.
- 1947 - Flatbush National Bank issues its 'charg-it' card, confined to customers of the bank.
- 1951 - Franklin National Bank issues credit cards to its bank customers and customers of other banks.

- 1959 - Bank of America and Chase Manhattan enter the credit card market following the concept of revolving credit available to customers and non customers of the bank.
- 1965 - The National Provincial Bank UK launches the cheque guarantee card in the UK.
- 1966 - Reciprocity agreements between banks issuing credit cards.
- 1966 - BankAmerica licences its credit card operation.
- 1966 - Formation of the Interbank Card Association.
- 1966 - Barclays Bank becomes licensee of Bank America. Launch of Barclaycard - the UK's first credit card.
- 1968 - Finasiering AB Vendor and thirteen European countries form EuroCard and join the Interbank Association.
- 1972 - Formation of the Joint Credit Card Company and the launch of the Access Credit Card.
- 1974 - Visa International formed through agreement with Bank of America.
- 1977 - Barclaycard becomes a founder member of Visa International.
- 1978 - Trustees Savings Bank launches Trustcard, and becomes the second UK Visa issuer.
- 1980 - American Express and Lloyds Bank launch the Amex Gold card.
- 1981 - Co-operative Bank launches its Visa card.
- 1982 - Bank of Scotland launches its VISA card.
- 1982 - Barclays Bank launch the first UK Gold card/Premier card.
- 1983 - Halifax Building Society launches Visa card.
- 1985 - Marks and Spencer ChargeCard launched.
- 1985 - National Girobank launches its Visa card.
- 1986 - Barclaycard introduces PDQ ('swipe terminal')
- 1987 - Barclays Connect introduced.
- 1988 - Leeds Permanent Building Society launches Visa Credit card
- 1988 - Lloyds Bank joins Visa whilst remaining in MasterCard.
- 1989 - Barclays Bank joins MasterCard and issues two MasterCard products.
- 1989 - Affinity cards
- 1989 - Lloyds introduce annual credit card fee
- 1990 - Triple function cards: Debit, Cheque and Credit card

Figure 2.1 Credit card service product chronology

2.3 Credit Card: Definition

The functions of credit cards and other artifacts have recently become very blurred due to the development of multiple use. For

example, in the past, an automated teller machine (ATM) could be used with either some or all of the following: an ATM Card, Debit Card, Cheque Card, or Credit Card. Increasingly, use is now only with a debit or credit card. Consequently, the nomenclature in the literature is often confusing. For the purpose of this study, a credit card is a financial service product provided by a financial service institution defined by the Financial Services Act (1986), which provides revolving credit, so that the customer can purchase goods or services up to an agreed limit but need only repay part of the debt every month. However, although this study focuses on credit card financial service products, it can be argued that the following discussion and argument is also pertinent to other credit card type financial service products.

2.4 Credit Card Transaction Process

The credit card industry has evolved into a complex network that involves financial lending institutions, merchants, credit card associations and credit card processors.

The mechanics of credit card transactions can become quite complex, and have important consequences for the credit card industry's cost structure and new product development programmes. The credit card transaction process is described below.

A credit card transaction cannot begin until a customer receives a credit card (in the UK this would be either a MasterCard or Visa) from an issuing or participating financial service organisation. An issuing financial service organisation sets up

its own card operation. This entails obtaining a licence or agreement to use the Visa or MasterCard logo. The agreement with the major credit card operator would include details of the nature and price of credit card product, including interest rates, payment terms and finance charges and calculation procedure. The arrangement would detail the handling and processing of credit card sales slips. A 'participating' financial service organisation is a financial service organisation that can offer its customers the credit card of an issuing financial service organisation.

A credit card transaction begins when the cardholder uses a card as a means of payment. The merchant is the name given to the organisation which gives the customer goods or services, normally a retailer. The merchant who accepts the credit card in a transaction processes the credit card slip through the organisation's financial service bank, a merchant bank for processing. A merchant bank (defined by the Financial Service and Building Acts 1986) is the bank that maintains the account of a merchant who accepts credit cards as a means of payment. If a merchant bank accepts a MasterCard and/or Visa transaction but does not directly or indirectly offer credit cards to consumers an issuing credit card organisation sponsors its membership in the Visa and/or MasterCard systems. Thus, these merchant financial service organisations can utilize the system's settlement facilities. When a merchant deposits credit card sales slips with its merchant financial service organisation, the financial service organisation credits the account for the amount on the slip, less the merchant discount (usually 2 to 5%). The

financial service organisation then converts the information on the slip into a machine-readable form. This transformation can be performed by the merchant bank itself, an independent processor or another financial service organisation.

The subsequent information is then sent to the interchange facilities of MasterCard or Visa. The interchange facilities act as clearing houses, transferring the information on the sales slips to the issuing banks. Visa or MasterCard credit the merchant bank or financial service organisation the amount of the transaction, less an interchange fee based on the f value of the sales slip. Visa and MasterCard also collect a per-item fee for this clearing service. When a merchant bank or financial service organisation uses an independent processor, which has a relationship with both the merchant and credit card issuer, Visa and MasterCard can be sometimes by-passed, and accounts are settled through the transfer of funds between the issuing and merchant banks or financial service organisations. This situation is common among large credit card processors.

The issuing financial service organisation can subsequently now charge the cardholder. In cases where the merchant's bank/financial service organisation is also the cardholder's bank/financial service organisation, this entire process is simplified since no funds have to be transferred between interchange facilities and banks. Hence when a participating bank is involved, the settlement between all parties depends on the type of agreement between the issuing and participating banks/financial service organisation.

2.5 Credit Card Research

A problem peculiar to this research study, as will be argued later, is the limited number of empirical and analytical studies relating to new product development in financial services.

In the case of credit card financial service products, the literature review revealed no studies relating to NSPD. Virtually all studies relating to credit cards in the literature are of American or Canadian origin. The following is a brief review of the most recent studies. The majority of these studies have examined credit card financial service products within the context of consumer research.

One of the earliest studies was by Plummer (1971), who examined card usage in terms of life style patterns with respect to commercial bank credit card services, and White (1975), who analyzed factors that influenced the consumer's decision to use credit card service products as against a bank cheque. The main conclusion from these studies was that younger aged persons are more likely to use credit cards than older aged persons. Martell and Fitts (1981), found that married persons with high incomes that maintained a number of different bank accounts were more likely to be credit card users. Adcock et al (1977), reported on a study into demographic and qualitative profiles of credit card users, and compared data reported by earlier other researchers. The study focused on Bank Americard and Mastercharge. They found that credit card users in the USA were likely to be graduates in the 25-44 age group, with relatively high incomes. Goldstucker and Hirschman (1977), used the same

data set, to distinguish between credit card users and non-users on the basis of the store image characteristics its users sought, and the social activities in which they participated. This study was later extended (Hirschman and Goldstucker 1978), to three groups: (1) those who had credit cards and use them in department stores, (2) those who had credit cards and did not use them in department stores, and (3) those who did not have bank cards.

Kaynak et al (1985), reported on a cross cultural study of attitudinal and behavioral characteristics of American, and both French-speaking and English-speaking Canadian credit card holders. Cultural/national and socio-economic differences were found between the three groups based on use/non-use of a credit card. Glassman et al (1978), analyzed credit card ownership patterns, reasons for credit card ownership and repayment patterns by age, education and income. Their findings indicated that among holders of single cards, there were essentially no differences across educational levels. VISA card holders tended to be more associated with the higher income groups than MasterCard, although there was no difference between either card organisations across age categories.

Hirschman (1979), reported on a study comparing purchases made with credit cards and with retail store charge cards, and with cash. The possession of either of the two types of card appear to have some positive relationship to higher levels of in-store expenditures and to a greater incidence of in-store purchasing. Hirschman, Srivastava and Alpert (1979), discuss the variables that discriminate between credit card users and the users of

retail store charge cards. This study did find distinguishing demographic, residency, and benefit-importance variables. Similarly, in another study with the same data set, Goldstucker and Hirschman (1977), attempted to distinguish between 'incremental purchasers' and 'non-incremental purchasers' who used credit cards rather than cash or the department store's charge card. The findings of this study were built upon further by Hirschman (1982), who examined consumer perceptions of eleven attributes as they apply to four different payment systems: credit cards, bank cheques, retail store charge cards, and travel/entertainment cards. None of these studies made a distinction between VISA and MasterCard. Using again the same data base, Deshpande and Krishnan (1980), examined impulse-buying behaviour. They categorised respondents as 'possessors' or 'non-possessors' of credit cards without distinguishing between either of the two major credit card operators. Garcia (1980), provides an overview of card usage from the perspective of an economist. Kinsey (1981), examined the relative importance of various household characteristics in determining the number of credit card accounts per household. A major problem with the research was that the analysis did not distinguish between other plastic card payment systems. In particular, it was noted that USA ABC1 equivalent socio-economic equivalent groups tended to have a more positive attitude towards credit.

Ingene and Levy (1982), in their study, examined cash discounts to retail customers as an alternative to credit card sales.

All these studies as earlier stated, examined credit card financial service products in terms of consumer behaviour.

Similar studies in the UK and Europe in terms of replication have not been made. In the UK, credit card studies have tended to be mainly industry reports written by practitioners, published in industry business journals. Three recent studies relating indirectly to credit cards include an investigation into who will hold the balance of power at the introduction of an EFTPOS, or direct debit system with specific mention to bank credit cards and retail store charge cards, (Worthington 1988). A similar study by Bliss (1988), examined financial services with respect to credit cards and store charge cards in terms of new delivery systems like EFTPOS. Shaw (1991), discusses smart card technology and the implications to credit cards and store charge cards.

2.6 External Environment and Turbulence

An understanding of the external environment is essential for developing marketing plans and subsequently new service product development strategy, (Ginter and Duncan 1990). In fact, success or failure of organisations as a whole in terms of profit or loss, growth or decline can be linked to the extent to which organisations respond to large uncontrollable forces. In the case of financial services, Girle (1986), summarizes these forces as economic, competitive, regulatory and technological.

The effect of each of these forces on the financial service industry as a whole has been previously examined and discussed in the literature, (Watkins and Wright 1986, Drake 1986, Thwaites 1989, Morgan 1989, Scarbrough and Lannon 1989, Lewis 1989, McIver

and Naylor 1980, and Meidan 1984). Watkins and Wright (1986), distinguish among these factors and argue that financial systems are influenced by broad forces which develop trends, and by more specific events or actions which give rise to and accelerate existing trends.

2.6.1 Political and Legal Environments

The UK credit card industry as a segment of the financial service industry, has experienced rapid changes in the political and legal environments resulting in changes in its regulatory framework. In particular, these regulatory changes have resulted in a general blurring of the traditional boundaries, with a number of new entrants subsequently entering the market. Deregulation in financial markets, it can be argued, has had a catalytic effect upon the levels of competitive intensity by removing traditional lines of demarcation between financial institutions. In particular, the 1986 Building Societies Act has allowed such organisations to increase the range of services offered including credit card products. Howcroft and Lewis (1986), comment on the immense strength of this industry group and its emergence into the retail bank market and argue that the 1990's will provide substantial opportunities for building societies. Likewise, the 1986 Financial Services Act, together with a number of self regulatory organisations, have substantially changed the structure of competition and the nature of business as it relates to credit card financial service products. Similarly, proposed changes resulting from EC harmonisation will also affect the industry in the medium term.

Budd (1989), points out for example that a branch of a German bank would not need to be authorized under the current Financial Services Act to carry out banking and credit card business in the UK, but would be governed only by the conduct of business rules made under the Act.

The UK credit card industry is also subject to a number of other political and legal publics which include the Association for Payment Clearing Services (APACS), European Community directives on codes of practice, and European Credit Sector Associations (ECSAs). Credit card organisations are also likely to face increasing scrutiny from the media.

2.6.2 Technological Environment

Financial service product organisations are spending enormous sums of money on technology, particularly information technology, (Barras 1985). This need, has arisen from the propensity of financial service organisations to constantly develop new financial services. The speed of technological change has increased due to a number of factors, which include the nature of competition which has become global, and the entry of new organisations from outside the traditional financial service sector, which have different levels of internal competence co-ordination or "know-how." As a consequence of new service product development activity, it can be argued that financial service organizations require increasing levels of sophistication in terms of control and distribution systems.

The credit card industry, like other sectors of the financial service industry, has been and still is subject to substantial

changes due to the rate of technological change. These changes are particularly apparent in the distribution channels arising from a wider acceptance by retail merchants of credit card service products as a means of payment. The geographic expansion and use of automated teller machines (ATMs) has also substantially affected the industry. Consumers are increasingly viewing automated teller machines as a natural adjunct of life. The growing availability of cheaper and more flexible systems, "know-how" and support services will continue to erode market entry barriers. Economies of scale will become available to much smaller credit card operators. Similarly, information technology (IT) is also expected to play an important part and influence on the credit card business in terms of both the efficiency with which the business is controlled, and with the way business is conducted. The developments in information technology will offer opportunities for greater use of electronic data interchange (EDI), value added networks and services (VANS), fast packet switching, integrated switched digital networks (ISDN) and open systems interconnection (OSI). The equipment developments will mean faster central processors and expanded speed and capacity in terminals, personal computers, notebooks, and pocket computers. The processing developments will impact imaging, distributed processing, parallel processing, language translation and voice interpretation.

Greater availability and use of systems design methodologies will lead to natural language programming, prototyping, shell design approaches and the increased availability of packaged modules in open standards.

The main impact of these technological influences will be in credit card financial service distribution strategy. The existing credit card financial service distribution is through branch networks, agency offices, merchants, telephone service and self-service terminals. As a result, information systems have been subsequently developed for the places they were needed. Changes in the technological environment could result in developments which facilitate a widening of the delivery systems to include computerised home or office services, unmanned offices, etc.. The implications of these types of developments may well mean that organisational staff using the terminal could be replaced by the customer. This would have major implications on the type of service products developed: for example, ease of use of financial service product terminals would have to be considered. Credit card service organisations would be unable to demand high levels of competency from their customers: for example, failsafe would have to be considered, as procedural security rises in importance. Consequently, particular attention would have to be given to the design of the system, since if a customer could not use it, he/she would be likely to move to a competitor's system they could use.

Likewise, information technology is likely to have a significant influence on the industry in terms of the collection of customer information, particularly as it relates to direct marketing activities. Integration of account information into customer information systems will increase the sophistication of future cross-selling techniques. Technology is also likely to impact on credit card risk and control with respect to bad debt and

fraud. The effect of technological change may also dramatically accelerate the transition from magnetic strip technology to the much more powerful new generation of smart cards with micro-processors.

2.6.3 Economic Environment

The economic environment impinges on the credit card industry in terms of credit card usage and the extent to which cardholders utilise credit. The main factors include changes in consumer disposable incomes, employment levels, bank interest rates and credit card interest rates, inflation levels and general consumer economic confidence, (Thwaites 1989 and Morgan 1989).

2.6.4 Sociological Environment

The credit card industry is also influenced by consumer attitudes towards credit. Although the credit industry generally lacks a substantial body of research, the sociological environment has received some considerable attention both in terms of analytical, and empirical studies with respect to the American and Canadian markets (Etzzel and Jones 1978, Kinsey 1981, Martell and Fitts 1981, Bowers 1979, Kaynak and Yucelt 1984, and Loroche and Malette 1988). Analysis of these studies, together with UK statistical data would indicate a continuing favourable disposition by the consumer to the use of credit and credit card service products. Figure 2.4 illustrates the relation of consumer credit and credit card lending. Total consumer credit has risen constantly in recent years, as shown in figure 2.5 below (this excludes mortgages). During this period (1984-1990)

total credit and credit card service products increased by a factor of about three. This has meant that credit card usage has fluctuated at about the same level of consumer credit (about 15%), as shown in table 2.4.

Consumer credit forecasts generally support the proposition of a favourable social disposition towards credit and credit card financial services (Table 2.2).

2.7 Environmental Turbulence

The degree of environmental turbulence acting on the UK credit card financial service industry can be examined by considering a number of characteristics within a framework developed by Ansoff (1979). The framework uses complexity and intensity of the environment, together with novelty and speed of change as determinants or characteristics of the extent of turbulence. These measurements as applied to the UK credit card financial service industry are shown in Figure 2.2.

Determinants of Environmental Turbulence	Measure	Relationship of Measure to UK Credit card Industry. Post 1986
Complexity of environment	Magnitude of external forces acting on an organisation	Increasing number of uncontrollable external forces both at the Macro & Micro levels
Intensity of Environment	Amount or quantity of organisational resources necessary to compete effectively	Increasing levels of management skills, competence commitment required
Speed of change	Rate of introduction of new ideas, technology, systems	Significant introduction of new technology systems
Novelty of change	Levels of discontinuity	Numerous impacts - new solutions required

Figure 2.2 Application of the determinants of environmental turbulence to the UK Credit Card Industry post Financial Services and Building Society Acts 1986.

Environmental turbulence impinges upon all UK credit card financial service organisations. The cartels which dominated the UK credit card markets for nearly two decades have broken up and as result, the industry structure is both new and fragmented. The UK credit card consortium Access, which was arguably Europe's largest and most sophisticated card processor, now finds itself in competition with other Access branded credit card products. In effect, Access remains only as a credit card brand with its card processing operations now an independent organisation. Some of the smaller credit card organisations which were previously prevented from undertaking processing and merchant acquiring operations, are subsequently pursuing these new business

activities aggressively. Barchard (1989), comments "processing is coming out of the shadows and becoming a separate and increasingly important business activity in its own right".

2.8 Market Size and Structure: An Overview

The credit card financial service market in the UK is currently dominated by two international credit card operators, Visa and MasterCard. Individual financial service organisations as previously discussed, issue credit cards through membership of either both or one of the major credit card operator organisations. In the case of small financial service organisations, membership of the two international credit card operators can now be direct or by co-operation and agreement with one of the larger credit card issuers.

Figure 2.3 shows the proportion of the population with various financial service products. A key point which can be drawn from analysis of this data is that around 20% of adults (about 9 million) do not have a bank account. Since virtually all credit card holders (98% in fact) have a bank account, it can be seen that more than half of all banked adults do not have a credit card.

The levels of persons holding credit cards has remained broadly constant for the last two years (although as more credit card organisations charge for their cards, the number of credit cards held might fall). Industry estimates would suggest that after the pronounced rise in bank account holdings in the 70's and 80's, the rise of current account holding in the next ten years

is likely to be relatively small, of the order of only 3% or 4%. Total consumer credit has risen consistently in recent years and this excludes the mortgage factor. Total credit and credit card credit during the period 1985 to 1991 as shown in figure 2.4, increased by a factor of about three. This has meant that credit card services have fluctuated at around the same level of total consumer credit, (about 15%) as shown in figure 2.5.



Figure 2.3 Proportion of people with various financial service products (source Omnimass 2nd quarter 1991)



Figure 2.4 Total consumer credit lending (excluding mortgages)
(Source: CSO)



Figure 2.5 Credit card service products - share of total consumer credit (Source: CSO)



Figure 2.6 Credit cards in issue (Source: BBA)

The number of credit cards in use in the UK has shown a continuous year on year increase since they were launched. Figure 2.6 shows the volume of credit cards issued since 1984. Although this table is based on data taken from the Annual Abstracts of Statistics, a major problem with the data is that it includes all card holders, whether or not account holders think they have a card. One example of such a person would be a Barclays bank customer, who only uses a Barclaycard for guaranteeing cheques. The industry has considered such persons until recently as dormant, and has included them in its returns to the British Banking Association (BBA). Credit card turnover has also steadily risen. The 1991 data would tend to reflect the sensitivity of the industry to the

economic environment. Table 2.1 shows yearly turnover and the percentage change year on year.



Table 2.1 Credit card turnover (Source: BBA, Industry forecasts)

Card Holder Demographics: UK credit card service products are predominantly used by the higher social economic class ABC1, as shown in Table 2.2 , and are concentrated in the middle age group (35-54) Table 2.3 . Since credit cards have been launched, there has been a gradual widening to other socio economic groups. However, credit card data for 1991 indicates a reversal in this trend, with ABC1 now accounting for 64% as against 59% in 1986, with a small decrease in C2DE groups. Both these trends could be partly explained by the introduction of membership fees and the avoidance of credit by DE groups.

Credit card penetration of total adults in a group is still partial. In particular, less than half the adult males and only slightly two thirds of adult females possess a card. Even in the AB group, only just over a half possess a card. It can therefore be argued that the UK market has still a lot of room for growth.



Illustration removed for copyright restrictions

Table 2.2 Social class (Source: Omnimas 2nd quarter)



Illustration removed for copyright restrictions

Table 2.3 Age (Source: Omnimass 2nd quarter)

Analysis of the socio-economic data and card holder demographics would suggest that credit card holding is strongly related to income. Durkin (1980), in an empirical study into the use of financial services, concludes high income consumers are more likely to use both credit cards and other financial services. While this may be already generally known to practitioners and observers of the credit card industry, it can be argued that the data would suggest that card issuers may need to consider the long-term impacts on their product development programmes, particularly since ill-designed product credit card developments may also damage the long-term ability of the organisation to offer other financial services to its card holder base.

2.9 Credit Card Cost Determinants

It is argued that an understanding of the underlying cost determinants of an industry facilitates a better definition, and formulation of new service product development strategy, (Shillinglaw 1978).

From analysis of the credit card transaction process, a credit card operation can be argued to consist of two major activities. Firstly, the issuing of the tangible credit card product providing a payment vehicle. Secondly, accepting and discounting merchant sales transactions (slips). These activities generate four information outputs:[1] a line of credit, (i.e. a financial service credit card account), [2] loans, [3] billing, and [4] merchant sales account (slip). These information outputs involve substantial production costs, and form the basis of the cost

structure. The credit card service production activities of an organisation can be measured in several ways:

- output of lending / payment activity measured as the total £'s volume of loans outstanding, the number of accounts, or the number of times cardholders use their accounts
- output of the processing activity which can be measured as the £ volume of sales slips or transactions discounted or the number of sales slips transactions discounted.

From an analysis of the cost structure, the following propositions can be made which impact on marketing strategy.

Proposition one: A change in the technological environment such as an advancement in information enabling technology, for example improved automation - (i.e. swipe card transactions replacing the manual credit card sales slip), will lower the cost of producing a credit card service.

Proposition two: If there are economies of scale in offering credit card services, then suppliers would be expected to increase output in order to become more efficient producers.

New product development activities can be categorised as contributing to the lending payment activities or the processing activities.

2.10 Credit Card Service Levels and Market Segmentation

Many financial service products have undifferentiated 'commodity' status where the customer is often unable to see much, if any, difference between other providers. The effective marketing of both goods and service products requires the development of

marketing programmes that have value added. The treatment of services as commodities by organisations leads to intense price competition. Standardization of services and price sensitivity, are often associated as attributes of a commodity. In particular, these two attributes are often also associated with financial services and especially banking service products (Meidan 1983).

The main mechanism by which credit card organisations have attempted to differentiate their services is by branding, and by giving the service added value in terms of additional service benefits through a service product bundling approach. Although anything can be branded by simply putting a name in front of it, the actual act gives little competitive advantage. Onkvisit and Shaw (1989), comment that the use of branding only makes sense if it can be communicated and differentiated from other brands in a meaningful way, and advocate the adoption of the saliency concept as a test.

It can be argued that service products, like goods products, can be examined at two distinctive levels, i.e. product form and brand form, (Kotler 1991). Credit card financial service products can be similarly represented at these two levels, together with corresponding sub-levels, as shown in Table 2.4.

Service Product Class : ■ Debit Card
 ■ Credit Card

1. Service Product Form ■ Bank Cards
 ■ Building society Cards
 ■ Retail Store Cards
 ■ Travel & Entertainment Cards
 ■ Car Rental Cards
 ■ Oil and Petrol Cards
 ■ Airline Cards

Sub-Form ■ Standard
 ■ Premium
 ■ Super-premium (gold and Platinum)

2. Service Product Brand Form ■ MasterCard
 ■ Visa
 ■ American Express
 ■ Eurocard
 ■ Diners' Club
 ■ Carte Blanche
 ■ Switch

Sub-Form ■ Barclaycard
 ■ Access
 ■ Halifax
 ■ Trust Card
 etc.

Table 2.4 Credit card service product forms

Each credit card service form represents a bundle of service product benefits that are directed at a broad market segment, which implicitly also defines card usage. This service product level is supported by a sub-form which narrows the segmentation to give more clearly defined segments, based on service product performance and social economic class. This sub-form level is characterised by a range of cards which include a standard card at one end of the scale, and a super premium card (often termed Gold or Platinum) at the other end. The second level describes the service product brand, and characterises the international credit card operator and the payment transmission system. This

service product brand level is supported by a sub-level which defines the issuer brand.

2.11 Competitive Environment and Marketing Strategy

It can be argued that credit card financial service organisations, in order to ensure success in their business activities, given the changing external and competitive environments need to develop a competitive business strategy. Porter (1985), suggests that a basis for an organisation's business strategy should be the analysis of those factors which shape its industry environment, following this by then adopting appropriate strategies which can be characterised in terms of competitive scope and competitive advantage. Competitive scope can be described in market coverage terms and competitive advantage in terms of cost leadership or product differentiation. Fig. 2.7 shows the different types, and direction of grand strategy applied to the credit card industry. Credit card financial service organisations can attempt to treat the market as either a broad mass market, or as a series of narrow and clearly defined segments.

A cost competitive advantage describes the decision to seek an operational cost advantage in either a broad or narrow scope with a limited range of products. It can be argued that there is a spurious exclusivity of these competitive strategies, in that in practical terms, a small organisation providing a financial service may have little alternative but to adopt a narrow market coverage or service specialist strategy. However, the cost or

market leader could use its strength to challenge and defeat the smaller organisations by taking them on in battles of their own choosing. In particular, this applies to those organisations described by Porter as "stuck in the middle", ie., with medium market shares. Every differentiation move can be opposed by a competitor with superior resources. It can be argued that many financial service organisations offer few differentiated core services products, have no proprietary technology and generally compete with other organisations on more or less the same terms with equal costs, (Clarkeson 1984). In many aspects, these characteristics describe the Credit Card Industry.

Each of the four strategic competitive positions characterised by the Porter model, with respect to credit card products, has marketing mix implications.

It can be argued that credit card organisations have been following in recent years an implicit cost leadership strategy, i.e. selling a standard credit card service product to a broad undifferentiated market. The continuation of this strategic direction as a grand strategy can be argued to have a number of problems, especially since economies of scale for the market leaders with respect to the processing operation have been recently lost, now that many credit card organisations are 'issuers', 'merchant acquirers' and 'processors'. The adoption of this strategic position suggests that at the tactical level, that credit card financial service organisations should concentrate on selling existing credit card service products to those that do not have them. This could certainly be argued to be a valid strategy when market demand is not fully exhausted - cardholder

demographics (Tables 2.2 and 2.3), would support this proposition. However, this data would also indicate that it is becoming increasingly more difficult to penetrate the market with the existing credit card service product offering. In other words, the market is tending to exhibit saturation characteristics. As the market moves to saturation, credit card organisations will be consequently forced to increase output by taking market share from other credit card organisations. Qassim (1990), reports on "the start of the UK credit card war". Similarly, Gavaghan (1990), notes that a "New battle front opens up" with respect to the credit card industry. Hunter (1990), reports on the falling profits of credit card organisations, and warns bankers that a major shake out of the industry has just begun. Likewise, Bignall (1990), warns that 'there is overcapacity in the UK credit card market and that some will fall by the wayside'. McConnachine (1990), reports that 'the cosy world of the credit card business has suddenly become much less friendly'.

2.12 Marketing Mix Implications

Membership of the VISA or MasterCard organisations give all credit card organisations similar distribution channels and delivery systems which consequently limits the strategic options with respect to this component of the marketing mix.

The price component of any marketing mix is notoriously difficult to manage and control, particularly if a price penetration strategy is being adopted. The promotion component of the

marketing mix is a particularly powerful tool; however, to gain market share by promotion alone is a very expensive strategy, (Quelch 1983). It is argued that only the largest credit card financial service organisations could adopt this strategy. A cost focus competitive position gives a number of opportunities for large and medium market share credit card organisations, particularly with respect to the processing of credit cards services and for standard service products such as 'gold' cards to small segments of the market. Hence, it is argued that for the majority of organisations, a change in strategic direction to a product differentiation leadership, or differentiation focus, gives the greatest strategic opportunity.

A product differentiation strategy necessitates the move away from a standard, to a variety of service products aimed at a broad or mass market. Recently, one of the major credit card service organisations has introduced a range of service products based on an annual charge: The International Rescue Card: The Purchase Cover Card: The Reduced Interest Rate Card: The Profiles Card. A differentiation focus strategy also necessitates a move away from a standard to a variety of service products, which are aimed at specific market segments. Again, various credit card financial service organisations implicitly or explicitly have moved in this direction with the introduction of Affinity Cards. These credit cards are targeted at specific market segments. The initial service products were linked to a range of charities from Save the Children, to Oxfam, but more recently, other customer groups have been targeted, for example, the Open University and the Trade Union Movement. Both the

strategic positions of Differentiation Leadership and Differentiation Focus give credit card financial service organisations a greater opportunity to develop a more enriched marketing mix than the other positions. However, it is argued that these opportunities will only come to fruition by the development of new service products through a coherent and integrated NSPD process.



Source: Porter M.E.(1985), Competitive Advantage: Creating and Sustaining Superior Performance

Figure 2.7 Credit card grand strategies

2.13 An Alternative Strategy Matrix

Credit card products are somewhat unique in the financial service products sector in that the delivery system is substantially impersonal. Credit card financial service organisations have relatively limited opportunity to develop direct personal and

individual customer relationships of the type they are currently attempting to pursue, with respect to other financial service products. Customer contact is consequently of an indirect nature, necessitating the use of direct mail and other forms of communication, including the merchant distribution channel. However, it can be argued that this aspect is also one of its major strengths, in that credit card financial service products eliminate many of the irritations and negative customer responses encountered in dealing direct with banks and other financial service organisations.

A major problem for credit card organizations is to maintain customer loyalty when credit card switching is relatively easy. In fact, many financial service organizations are now competing with themselves by offering both the major service branded products to their customers.

An alternative strategy matrix as shown in figure 2.8 can be developed by taking the communication system as one of its dimensions. In the case of credit card service products, the communication system can be characterised by two customer perspectives. Firstly by treating the customer simply as an account number which takes the form of infrequent impersonal informative communication, for example, communication being limited to brief statements on the monthly billing document about changes in interest rates, etc. Secondly, treating the customer as an individual, necessitating a communication package that is directed at a more personal level which recognizes the customer in terms of special needs and wants.

A second dimension of an alternative strategy matrix for credit

card financial service products, can be determined from the nature of the service product. Although credit card service products have generally acquired a commodity status i.e. they are undifferentiated and easily duplicated, this is not necessarily the case with all service products. Credit card products, as earlier discussed, can be differentiated in terms of the service bundles they offer. It has been substantially discussed in the marketing literature that customers buy bundles of satisfactions, not products. It can therefore be argued that a customer's response to a service or goods product offering will depend on the combination of benefits that the product gives or has the potential of giving to the customer.

Bundles can take a variety of forms and features. In the case of credit card service products, they could include services which are not available separately, for example, temporary 'get it home' insurance cover for goods purchased against accidental damage. Other bundles can give or endow the customer with special status or entitlement. Naturally, the range of opportunities in this area is enormous, and in the case of credit card services, includes a range of preference loans and other financial service products, including entry to airport executive lounges. Similarly, other credit card service bundles give entitlement to other services and goods products at special discount prices. In the case of credit card service bundles, the satisfactions are delivered as a complete package; they are unavailable any other way, unlike bundles relating to goods products.

Clearly, some credit card customers will not wish to avail

themselves of many or even any of these service product enhancements, which can be obtained through service product bundles. Other customers could be expected to wish to take an opposite position. Hence, the extent to which a credit card offers service product enhancements, in terms of service bundles, acts as a measure of service product differentiation, and provides a second dimension of the strategy matrix.

	Standard Service Product	Enhanced Service Product
Foundational Communication	1	2
Supplementary Communication	3	4

Figure 2.8 An alternative credit card service product strategy matrix

2.14 NSPD Implications

From the foregoing discussion, it is argued that NSPD activities will be high on the agenda of marketing activities of credit card financial service organisations for some years to come. The new service product development activities can be categorised as contributing to the lending payment activities or the processing activities. It is also argued that the existing NSPD process models give practitioners in the credit card financial service industry little insight into how they should organise and carry out NSPD activities. In particular, the NSPD process models do

not specifically address the modification of existing core service products and the treatment of bundled service product offerings. Similarly, the role of enabling technology and the acquisition of internal skills and competence with respect to new service product development are not considered. It is argued that there is a need for a new NSPD model for financial services. The underlying assumption from following a differentiated product strategy, is that groups of credit card customers can be identified that would benefit from and simultaneously desire new credit card service product offerings. A better targeting of a number of market segments with new credit card service products designed to meet the expectations of different consumer groups should ultimately lead to a reduced consumer expectation/experience gap. It is argued that a narrow gap leads to greater customer satisfaction, in terms of increased loyalty, card usage and therefore, greater sales revenue.

The credit card financial services marketing literature contains a number of comparative studies which have attempted to identify distinct market segments based on demographic or benefit analysis. However, as previously identified, these studies are mainly of American origin, (Plummer 1971, Ash and Water 1974, White 1975, Wiley and Lawrence 1975, Hawes, Talarzyk and Blackwell 1976, Adcock, Hirschmann and Holdstucker 1977, and Durkin 1980).

Unfortunately, there is no evidence of replication of these studies within a European context. Kollat, Engel and Blackwell (1970), comment on the lack of the replication of studies and the danger inherent therein, within the context of consumer research.

Kaynak and Yucelt (1984), in a cross-cultural study of credit card behaviour between American and Canadian credit card users, noted a number of minor behavioural differences. Although these behavioural differences were not as such significant, it is advocated that further research needs to be undertaken, particularly between more diverse cultures.

As previously indicated, credit card financial service organisations are not just restricted to the development of new credit card financial service products, but also to a variety of other financial service products, particularly with respect to credit card process activities. This includes business with other smaller credit card financial service organisations and also in terms of merchant acquirer activities.

On the basis of credit card industry reports, it is evident that the majority of sales revenue is achieved from its card and associated activities. It would therefore, be expected that the majority of NSPD activity would be concentrated in this area.

Credit card customers are seeking a range of service product benefits attached to an advanced technological payments transmission system, (White 1975, Goldstucker and Hirschman 1977, Garcia 1980). It is further argued that credit card NSPD activities will involve substantial bundling with other financial service products, to give a more complex mix of consumer benefits. Eppen, Hanson and Martin (1991), argue that product or service bundles should be treated as new products. The literature does not suggest or indicate how the existing NSPD process models accommodate this type of NSPD activity. Service products bundles necessitate a variety of management decision

areas, many of which are outside the traditional scope of the marketing business functional area. Bundling decisions would generally involve costs and strategic implications involving a number of business function areas.

The success of the UK financial service industry has been its ability to create and develop new services, (Meidan 1984). However, although product and process innovation has typically been associated with business success, these attributes it is argued, are more critical in the current environment, especially as they relate to the UK credit card financial service industry. It is also argued that credit card organisations, in order to respond to their competitive, complex and dynamic environments, will need to adopt supportive organisational structures. Furthermore, it will also be necessary to develop a sustainable competitive advantage. The basis for competitive advantage, it is argued, will include product differentiation leadership and product differentiation focus. This will, as previously discussed, require substantial new product development activity for many organisations.

It is consequently argued, that the UK credit card financial service industry provides an example of a sector of the financial service industry which is developing new service products in a complex and dynamic environment which has low levels of direct customer contact.

The study will therefore provide an opportunity to explore an area of the financial services sector which has received very limited attention in terms of analytical and empirical research within the context of new service product development.

In terms of NSPD process activities, it is hypothesised that many of the activities relating to credit card financial services fit within the paradigm discussed in 4.13. In the case of the implementation of NSPD, it could be hypothesised that the 'creation' stage would be limited and relatively short compared to the typical 'start from scratch' new product development activity associated with goods products. Although this implementation stage can be seen as a relatively short process, it would necessitate the organisation having distinctive levels of internal competence co-ordination, particularly with respect to operational and production procedures.

Implementation NSPD activities involving financial service bundles, it can be argued start with relatively good information inputs particularly with respect to consumer preferences for individual service components. However, the literature fails to model and demonstrate these processes. It could also be hypothesised that the 'development', stage of implementation would also be relatively short. The majority of development work associated with each component of the service product bundle would have already occurred in the various business functional areas. However, in the diffusion stage of implementation, it is hypothesised that a complex interaction of business function area activities would exist. This would be likely to necessitate further distinctive levels of NSPD internal competence co-ordination or "know-how," which would need translation into programmes of operational efficiency and effectiveness. As previously argued, the existing NSPD process models do not explicitly address this area.

Chapter Three

A Literature Review.

3.1 Introduction

The purpose of this chapter is to review the new product development literature. The review is based on an understanding of marketing as an integrative multi-disciplinary business activity, directed to the achievement of organisational goals and objectives by the adoption of a management philosophy dedicated to serving customer needs and wants. The NPD literature is examined from two perspectives. Firstly, the literature is considered as a whole. Secondly, an examination of the literature is made with respect to the extent of and degree of completeness of integration which exists between the various business functional areas that are directly or indirectly involved in the NPD process. In particular, the relationship between business functional areas and marketing is also considered.

The chapter is divided into three sections. Section One examines extant knowledge with respect to new goods products. The main purpose of this section is to identify what has been learned so far with respect to new goods product development (NGPD). The section begins with a general introduction which attempts to

explain the role of marketing and NPD. It then proceeds to examine the early NGPD literature in order to provide some benchmarks for understanding the speed of diffusion of NPD knowledge, against time horizons. This is then followed by an examination of the methods of categorisation, themes, frameworks and models which have been previously used to review the NPD literature. It is argued that the existing frameworks used for literature analysis provide powerful and useful tools, in that they help to make sense of NPD complexity and provide a basis for categorisation of issues that determine NPD outcomes, particularly success. However, it is also argued that the previous literature reviews give only a limited insight into which issues have been researched more than others, or where gaps may lie. A conceptual framework for literature analysis is subsequently proposed. The chapter then explores the literature with respect to this framework.

Section Two examines extant knowledge with respect to new service products, and focuses on the development of new financial services. This section begins with a discussion on the differences between goods products and service products to ascertain whether there are any real distinguishing differences between the two when applied to NPD. The section then proceeds to review the NSPD literature using the framework for literature analysis as previously used for NGPD. This is then followed by Section Three, the identification and justification of significant deficiencies and gaps in the literatures, focusing on new financial service product development.

Section One

3.2 Role of Marketing and New Product Development

New product development is multidisciplinary and unquestionably linked to marketing to such an extent that many academic writers see them as synonymous, (Cooper 1980, Johne 1984, Rothwell 1974, Urban and Hauser 1987, Maidique and Zirger 1985). The broad nature and scope of marketing overlaps with new product development in many areas. The published literature reporting empirical studies on NPD is unequivocal about the substantial contribution of marketing. In particular, a number of recent studies have identified marketing as a most important factor contributing to new product development success, (Rothwell 1977, Cooper and Kleinschmidt 1987, and Johne and Snelson 1988). These studies and others demonstrate the role of marketing in identifying analyzing and actioning new business options. Marketing has also been identified to play a key role in the identification of new ways in which either modification of an existing or new product can be offered to customers (including present and potential customers). Marketing also has an important role in envisioning and exploring new product development opportunities. Souder (1978), Bingham and Quigley (1990), comment that the marketing role in NPD is to define information needs, assign tasks to team members, acquire and analyze information, and interpret the analysis as it relates to the timing of implementation and probability of success. Likewise, Dwyer (1990), describes the marketing role in NPD as that of a 'co-ordinator' of the business functional areas of an organisation.

"Marketing incorporates the various information inputs and introduces additional criteria, including fit with organisational strategic plans, fit with existing products and appropriateness to current distribution channels", (Crawford 1988).

In essence, marketing is about getting and keeping customers. Managing the company - customer interface must hence be its primary responsibility. Aldrich and Herter (1977), describe marketing managers as organisational 'boundary spanners' serving two important purposes, information transfer and representation. They collect and analyze information from the environment and disseminate the information back into their organisations, and they communicate with the environment on behalf of their organisation via business activities. They also collect and analyze information from within the organisation, both at the task and strategic management levels.

In examining the relationship of new product development with marketing, it is argued that it is necessary to understand its relationship within a broader scope of innovation.

CACST(1986), describes innovation as a series of activities of vast scope. "At one extreme, innovation, can imply simple investment in new manufacturing equipment or any technical measurements to improve methods of productivity and at the other it might mean the whole sequence of scientific research, market research invention, development, design, tooling, first productions and marketing of new product". Alternatively,

innovation can be considered as creating something new which fulfils a certain goal. Kamm (1987), emphasizes a process starting with the generation of new ideas and decision-making which from there leads to something useful. Rodgers (1983), Rickards (1985), have defined innovating as an idea, a practice or any product which is regarded as new by the adoption-unit or organisation. Likewise, Schott (1981), states that innovation is "a process which covers all that goes on from the beginning of an idea, to an invention, through to the marketing of a new product and the use of a new product". Innovation can in fact, be argued to continue until the product or process has been completely introduced into the economy, along with any modifications and improvements. Economic factors are not only responsible for innovation; (Buono and Nichols 1985), distinguished self-interest and moral duty as motives for top management to be involved with innovation. They link these to reference groups of shareholders and interested parties in the broad sense. Four types of innovation are subsequently identified: productivity orientated, philanthropic, progressive, and ethical idealistic, (Schott 1981, Buono and Nichols 1985). New product development, innovation and marketing are unquestionably linked to such an extent that substantial areas of the literature are synonymous.

New product development or innovation activity can be new to a nation, industry or company. The focus of this chapter is to review the literature on NPD or innovation as it relates to a company or organisation. In the context of the literature

review, new product development includes products that are at the introductory stage of the product life with respect to a particular organisation's product portfolio and existing products that have been modified to meet new or existing customer needs and wants. It can be argued that the development of new products cannot be separated from the management of existing products, Day(1983), Avlonitis (1983) and Sands (1983). It can also be argued that the management of new products should be considered as an extension of the management of existing products, (Varadarajan 1986).

3.3 Early Literature

The literature relating to new product development is now immense. One of the earliest books about the subject was written by Nash (1945), whose treatment was very general in nature.

Between this period and the mid 1960's, very few books on NPD were written on the specific subject area. Those that were tended to be mainly American in origin and were mainly focused on innovation in general. Jewkes, Sawers and Stillman (1958), Burns and Stalker (1961), were prominent writers in this period, but they discussed more the causes and effects of innovation and how companies could adapt their organisational structures to facilitate change. Although during this period the number of books about new product development were relatively scarce, a much larger literature of articles had been written, but again, the majority of authors were American.

Noticeable and distinguished writers in this period included Levitt(1960), concerning customer orientation and a new approach to segmentation by recognition of customers needs. In general, the treatment of NPD in articles was broad and lacked any substantial depth and empirical research. To a certain extent, this can be explained by the nomenclature of the literature base with respect to marketing and new product development. Another explanation for the relatively low literature contribution during the early 1960's could possibly be a result of the time delay or lag, between what was actually happening in the market-place and theory. Sowrey (1989), comments "new product development, more than any other area of marketing exhibits a gap at times between theory and practice where traditional rules have often to be broken if the product is to be successful."

During the late 1970's and early 1980's, the number of writers and academic researchers in the area of NPD grew substantially, giving a wealth of anecdotal evidence on the important contribution of effective marketing input for successful new product development.

During the early 1980's, the literature tended to change away from writers primarily engaged in the business to literature based on analytical and empirical research study by academics. Generally, the majority of studies during this period tended to be concerned with industrial manufactured products. It could perhaps be surmised that these markets were considered less

complex and therefore easier to understand than consumer markets with fewer buyers. Also, it could be considered that manufactured industrial product markets during this period were not so dynamic as fast moving consumer goods and therefore, probably more readily facilitated research. Hippel (1978), Souder (1978), Bassant (1982), and Crawford (1983), were prominent contributors to the literature in this period.

3.4 Literature Review Conceptual Frameworks

From examining the literature, it is clear that many factors influence or contribute to the successful implementation of product development.

In general, the analytical and empirical research discussed in the literature is derived from a vast number of perspectives. These include both qualitative and quantitative research studies which are empirically based and theoretical studies of a more prescriptive nature based on grounded research.

A large number of research studies have attempted to isolate and measure variables and criteria which have some direct or indirect influence on NPD. The types of variables and number of criteria have in themselves been numerous and different in both nature and scope.

A number of writers including Cooper(1984), and Wind (1988), have called for an analytical framework in order to examine the NPD

literature in a coherent, comprehensive and practical manner. However, few such frameworks are evident which actually describe the whole business area and the interrelationships.

The coherent complexity and iterative nature of the NPD process makes it a difficult process to define. The conceptual models in the literature tend to focus on specific issues and outcomes of individual new projects. Other models describe a series of process stages, decisions, activities or departmental stages.

By far the largest literature relating to any one model has been based on the McKinsey 7'S's from the studies of corporate 'excellence' and the culture of excellent organisations by Pascale and Athos (1981), and Peters and Waterman (1982). This model has the advantage of parsimony in that it enables those factors associated with efficiency of management at the business level to be effectively encompassed under seven headings. The original model was developed to examine management operations of the whole organisation. A number of writers have put forward arguments which would support the adaption of the original model. Crawford (1983), Varadarajan (1986), and Johne (1988), indicate that the factors that determine efficiency in managing an existing business will be very similar to those responsible for efficiency in product development. In particular, Crawford (1983), states that product development is second only to corporate strategy in the way it involves all functions of management.

Table 3.1 shows the McKinsey 7'S' model and Table 3.2 shows an example of a modified framework for the purpose of examining at the business level the product development process.

Table 3.1 A framework for organisational analysis - the 7Ss

Source: Peters and Waterman, 1982

Barclay and Benson (1986), differentiate between the 'S's in their NPD model. The hard 'S's described are Strategy, Structure and Systems and the soft 'S's, Staff, Style, Skills and Shared Values. The hard 'S's relate to organisational aspects that are considered in many ways easier to define than the soft 'S's. The soft 'S's are generally considered in the original literature to be more difficult to define within an organisation, and often take the form of underlying themes.

The McKinsey model has however received in the marketing literature, much critical attention in recent years. Saunders and Wong (1985), Carroll (1983), and Cooper (1983), developed a NGPD model described in terms of market knowledge, research, interdisciplinary activities, management guidance and procedures, and market product success factors. The major criticism of Cooper's model as a framework for examining the literature of new product development is that it considers only activities carried out within the firm.



Illustration removed for copyright restrictions

Table 3.2 Principal factors underlying effective product development

Source: Adapted from Pascale and Athos (1982), and Peters and Waterman (1982), by John and Snelson (1988).

A more useful conceptual framework for analysis of the literature has been developed by Shrivastava and Souder (1987). This is a contingency model which takes into account environmental and organisational variables. This model offers a greater range and flexibility for conceptual and organisational application. The model is orientated towards the strategic management of NGPD, and

it identifies three NGPD transfer levels. Firstly, there is the dominant transfer level which describes formal groups or organisational entities that are technically and organisationally specialised. Secondly there is the process dominant transfer level, which describes the situation where no discrete transfer points exist between organisational groups. Lastly, there is the task dominant transfer level, which identifies an organisation where all the staff are strongly orientated to completing the task, and achieving the end result. Because the framework includes environmental and organisational variables, it can be argued that it enables the user to apply it across a wide range of situations. The framework takes into account a multidisciplinary approach to new product development, and allows for parallel developments not only between sub units of an organisation, but also within sub units. It also links an organisation's internal development process with its corporate objectives and the external environment.

A more recent conceptual framework in the NPD literature suitable for analysis of the literature is based on examination of key themes and their interaction, (Craig and Hart 1991). This framework recognizes the complexity of the NPD literature, and attempts to consolidate themes identified from the most recent contributions to the literature. The five themes identified are: strategic management; organisational structure; the process; the people involved in the process; the information input. The development of the conceptual framework differs from previous work in that the key themes are identified without specific

reference to existing framework and studies, which could be regarded as a weakness of the framework. The basis for the framework is on the popularity and specific nature of documented themes identified in the literature by content analysis. The key themes are subsequently examined to explore their interaction, but no empirical evidence is given to validate the categorisation.

It is argued that although the existing frameworks for analysis of new product development provide powerful and useful tools, the scope of such tools is often limited. It is therefore further argued that the development of, and use of a new conceptual framework would give additional insights into the new product development literature.

3.5 A New NPD Conceptual Framework for Literature Review

Having examined the literature at the business, group, product and individual level, it was considered that focusing solely on any one particular level, would be inadequate for the purpose of the study.

The following conceptual framework attempts to integrate various theoretical views, normative statements and pieces of empirical evidence about contingent relationships between business and strategic management level strategies and organisational structures drawn from the new product development and marketing literatures. It also attempts to recognize a shift in the literature and in cognate disciplines, such as organisational theory, away from specialisation towards multi-disciplinary

activities, (Ohmae 1983, Giles 1991, Piercy 1989 and Craig and Hart 1991).

A framework for examination of the new product development literature is presented in figure 3.1. It is adapted from a model by Gupta and Wilemon (1988), used for examining the R&D marketing interface in the product innovation process. The model has been adapted not only in terms of context, but also by the addition of an information set and a process set. This allows for all the business functional areas of an organisation to be considered in the NPD process, as against just R&D.

The proposed NPD framework derives its support from strategy-structure-environment paradigms of organisational design, the organisational context of new product development, and the socio-cultural differences between managers. The framework is designed consequently to not only facilitate the examination of the literature as a whole including NSPD, but also explore from the evidence in the literature, the extent and degree of completeness of integration between the various business functional areas directly or indirectly involved in the NPD process, and the relationship to marketing. In other words, the framework will be used to focus on how the literature demonstrates integration with the various new product development activities and programmes, in terms of perceived need for integration, degree of integration achieved, and the integration gap.

The following key concepts underlie the rationale for this framework:

Marketing is an integrative multi-functional business activity,



Figure 3.1 A New Product Development Conceptual Framework for Literature Review
Source: Adapted from Gupta, A., and Wilemon, D.L. (1988)

which involves the whole organisation and is focused on the achievement of organisational goals and objectives through dedicated customer product service offerings.

The extent of integration achieved between an organisation's business functional areas is related to the following:

1. Organisational factors described in terms of structure, reward system, attitude to risk-taking by senior management, the extent to which an organisation's business functional members consider it desirable to integrate with marketing.
2. Individual factors which describe the socio-cultural differences between business functional area members described in terms of professional orientation, time orientation and types of new product preferred.
3. The new product development process which describes and characterises the business functional area activities.

The perceived need for integration between an organisation's business functional areas, and marketing depends on the organisation's new product strategy, and its perceived environmental uncertainty.

An organisation's perceived need for integration, and the degree of integration actually achieved, are characterised by its information inputs.

The new product success of an organisation, is affected by the degree of integration ideally required and actually achieved.

The term "integration", as used in the marketing literature has a number of meanings. Lawrence and Lorsch (1969), refer to

integration as a "unity of effort" in various organisational sub systems. However, a lot of confusion exists in the literature overall with respect to the definition within the context of NPD.

A Literature Review: New Goods Product Development

3.6.1 NGPD Organisational Strategy

In constructing the framework for analysis of the literature, consideration was also given to strategy-structure paradigms which relate to organisational behaviour in order to explain a complex multi-disciplinary business process. Lorsch (1969), and Galbraith and Nathason (1979), have demonstrated that organisational strategies, and environmental uncertainty determine the need for co-ordination and control. Hage (1980), has developed further aspects of the above work - "the issue is how much does the environment determine the organisation and how much does the organisation, shape the environment?".

Looking at NPD from an information flow perspective, it can be argued that both these factors are relevant to the discussion. The vast area of organisational strategy has been explored by a number of writers, including Lawrence and Lorsch(1969), and Child (1972), particularly with respect to environmental complexity, which has greatly added to an improved understanding of the organisational contingencies that influence the effective implementation of different business strategies. In the development of a framework for NPD literature analysis, two important typologies of business-level strategy have been

incorporated, (Porter 1980, 1985, and Miles and Snow 1978), which provide useful insights for exploring various aspects of new product development. In particular, Miles and Snow (1978), provide a strategic typology that is perhaps the more useful tool, in that it overcomes some of the disadvantages of Porter's models which concentrate on the forces driving competition, and competitive actions actually undertaken by a business. Miles and Snow emphasize management's strategic intentions, which is particularly pertinent to NPD. They suggest several propositions about how various aspects of structure, process, and management style should fit together under four types of strategy. The four main organisational strategies are termed: Prospectors, Analyzers, Defenders and Reactors. A conceptualisation of these strategies with respect to NPD highlights a strategic dimension - the desired rate of product-market development. It is argued that this is particularly meaningful in defining the appropriate role of marketing within different business strategies, and useful in examining its position with respect to new product development.

Organisations that value being 'first' with new products in markets have been termed 'prospectors'. These types of organisations have been identified by Miles and Snow (1978), to generally respond rapidly to early signals concerning areas of opportunity, even though not all business activities prove to be subsequently profitable. Gupta, Raj and Wilemon (1986), comment that it would not be unreasonable to hypothesize that if a firm's innovation strategy involves being 'first in' with new products,

markets and technologies, it is likely to require a greater degree of marketing integration. Organisations that are not usually first in terms of product developments/introductions, can be characterised by the manner by which they monitor the actions of their major competitors. In the literature, these are termed 'analyzers'. They tend to be second in terms of market and new product developments, and are more often associated with cost efficient manufacturing than 'prospector' types of organisations. 'Analyzer' business units, are demonstrated in the literature as an intermediate form of strategy, sharing elements of both the 'prospectors' and 'defenders' strategies, and such organisations seek new market propositions through product development strategies as do 'prospectors'. 'Defenders' are identified as organisations that attempt to locate and maintain a secure niche in a narrow segment of the market, and are characterised as taking a conservative view of new product development activities. These types of organisations are described by the literature as protecting their business domain by following a marketing mix strategy, which involves high product quality. Organisations that are not aggressive in maintaining established products and markets, including its competitors are termed 'reactors'. Nystrom (1979), has identified four product development strategies - 'broad-span leader,' and 'narrow-span leader,' which are both proactive strategies, and 'reactor' and 'responder' which are both reactive strategies, which are open to an organisation. A number of researchers have argued that a particular product development strategy needs to fit with the organisational strategy, and the business environment, (Ansoff

and Stewart 1967, Cooper 1984, Crawford 1983 and Twiss 1986).

3.6.2 Organisational Strategy and Technological Turbulence

A number of writers discuss both organisational strategy and product development strategy with respect to technological turbulence, (Cooper and Schendel 1976, Foster 1986, Gluck and Foster 1975, Wilkinson 1983). Moreover, the effects of technological turbulence are demonstrated not to be confined to industries with products of a high technological content. The importance of an explicit new product development strategy derived directly from the corporate strategy has been strongly argued in a substantial literature, Crawford (1980), Day (1975), Twiss (1986), Johne and Snelson (1988), Cooper (1988), Dwyer (1990), Cooper and Kleinschmidt (1986), Takench and Nonaka (1986).

In a related literature, product development strategy has been examined within the context of organisational strategy as it relates to competitive advantage.

3.7 Environmental Uncertainty

The need for business functional area integration with marketing, in the context of new product development can be argued to be influenced by the organisation's perceived environmental uncertainty, (Slocum 1975, and Duncan 1972). This can be considered as an organisation's ability to anticipate changes in its macro and micro marketing environments. Galbraith and Nathanson (1978), emphasize the importance of environmental

uncertainty in structuring an organisation to enable it to cope with varying levels of information processing requirements. Mintzberg (1979), succinctly summarizes various contingency factors that give rise to differences in organisational structures, albeit not within the context of NGPD. In particular, he demonstrates that some of the more important contingency factors are environmentally related. Environmentally related uncertainties (complexity, diversity and hostility) increase the information processing needs of an organisation. This in turn increases the need for co-ordination and control among organisation sub-units, or business functional areas, hence integration. Khanchwall (1974), Lawrence and Lorsch (1969) indicate that a high environmental uncertainty is likely to necessitate greater information processing and greater integration among organisational sub systems. Alternatively, a stable environment appears to pose fewer more predictable threats to the organisation. Gupta, Raj and Wilemon (1986), suggest the greater the environmental uncertainty perceived by an organisation, the greater the need for functional area integration with the marketing interface.

It is argued that the literature relating specifically to new product development lacks any specific reference to many of these aspects, as discussed in the more general marketing management literatures. To a certain extent, it could be surmised that environmental uncertainty does not fit easily with the popularised 7'S's framework, which has been used previously by a number of researchers to examine the wider perspectives of new

product development.

A number of writers have implicitly discussed environmental uncertainty within the context of NGPD with respect to the development of organisational strategy, and new product development strategy, (Cooper 1984, Johne and Snelson 1988, Crawford 1983, Maidique and Zirgler 1984). In many instances, the nature of these studies tends to pivot around the relationship of environmental uncertainty, with new product development and risk. Other studies have examined factors which are associated with competitive advantage as they relate to innovative new products, (Shocker and Hall 1986, Wind 1982, Johne and Snelson 1988).

3.8 Information Inputs and Decisions

It is evident from the new goods product development (NGPD) literature, that the need for information by an organisation will be determined to a great extent by both its organisational and product development strategies. An organisation that ventures into new and unfamiliar product areas is likely to have a greater need for information to reduce the risk of failure, (Kortge, Dean and Okonkwo 1989, Voss and Christopher 1985, Cooper 1988). In order to achieve more information and knowledge, the literature demonstrates that an organisation needs to exhibit a high degree of integration between the business functional areas, (Siehlad and Bowen 1991). A number of researchers have concluded that the need for information is reduced as organisations move their competitive position from 'prospector' to the 'reactor' category,

(Miller, Danny and Freisen 1984, Miles and Snow 1978, Rieket, Walker and Roering 1958).

It is argued that the new product development process can therefore be considered as an information assembly line, which needs to be controlled and managed by marketing managers in order to achieve integration. It is possible to draw a number of similarities between NPD and a manufacturing process. The manufacturing process starts with raw input, as does the NPD process, and can be said to start with information in a relatively rough form. The information, like the manufacturing process, then goes through a series of steps that add value to it, including the addition of more information that bears on the original input, adding more value. As the new product development process continues, an information package is built up that describes a new solution to a customer need. When the information package is complete, the NPD process can be regarded as finished. Although it can be argued that this conceptualisation of NPD is not new, the literature fails to explicitly 'spell out' this process.

The effectiveness of an organisation can be directly related to the quality and the dissemination of the information it receives from both internal and external sources, and how it subsequently uses that information to facilitate decision-making. It is argued in the literature that information is one of the key determinants in achieving integration between multi-disciplinary business areas within an organisation. The role of information and the use of information systems from the wide perspective, and

its macro relationship with an organisation is well documented in management literature. However, it is surprising from an examination of the new goods product development literature, to see relatively few studies which explicitly address information and its role in NPD. This is particularly pertinent if one accepts the conceptualisation of the new product development process as a sophisticated flow of management information.

Three important areas of information as they relate to new product development can be identified from the literature:

1. quality of information that is fed into the product development process
2. the way information is disseminated within the organisation
3. the use of information within the organisation.

However, in the case of the later two areas, the literature is relatively sparse in terms of empirical studies which relate specifically to NPD.

Clearly, from an analysis of the literature, there is a need for a better quality of information to facilitate decision-making with respect to new product development activities. Gupta and Wilemon (1990), comment with respect to research and development that "to establish credibility and trust, R&D people could provide more useful information to marketing than mere technical details. Likewise, R&D could ask the marketing business functional area to provide information that is useful to them". This undoubtedly requires telling the marketing business functional area, what information is useful. These comments are

echoed by a number of other writers with respect to other business functional areas, (Crawford 1986, Johne 1984, Rothwell 1977). The business functional area interface relationship with the marketing business functional area, could be improved significantly if the marketing functional area gave more attention to the quality of their research by relying more on fact and less on opinions (Johne and Snelson 1988, Cooper and Kleinschmidt 1986). Market research is identified in the literature as an essential input to the new product development process.

3.8.1 Communication and Dissemination of Information

Poor communication can be identified in the literature as a major barrier to organisational innovative performance. An empirical study, (Thamhain 1990), has demonstrated that in order to achieve integration of the business function area of an organisation with respect to new product development, it is essential to have a free flow of information, both horizontally and vertically. In a related study, Cooper (1988), Johne and Snelson (1986) and Crawford (1986) discuss the need for management to facilitate communication by holding regular meetings, reviews and information sessions. Undoubtedly there is a need for these activities to be an on-going process that involves all business functional areas throughout the product or product life cycle.

3.9 Organisational Factors

Craig and Hart (1991), argue that organisational structure needs

to be supportive of NPD, and allow for the necessary adjustments to be made in terms of the various processes, people, and business functional areas activities both at a tactical and strategic level. Overall, the marketing literature clearly lacks a detailed framework linking internal structures and processes to the successful implementation of different business strategies which include NPD. Quinn (1979), and Rumel (1984), are identified in the literature as two of the writers leading the way forward in management thinking, in terms of providing a foundation for developing replaceable operationalisations of corporate-level strategies, but similar progress has only recently been made at the business level. Overall, the literature in this area with respect to NPD is surprisingly small.

The extent of integration between the business functional areas involved in new product development and marketing, is influenced by a number of organisational and personality factors, (Dalton, Todor, Spendolini, Fielding and Porter 1980, Rubenstein, Chakrabarti, Sounder and Young 1976, Duncan 1979, Galbraith 1971, Lawson and Gobeli 1987).

Organisational structure has been demonstrated in the literature to both hinder and facilitate new product development at the business functional area level in terms of its integration with marketing, (Zaltman, Duncan and Holbeck 1973, Gobeli and Lawson 1987). A study by Sounder (1987), identified organisational characteristics that were 'restrictive' or 'promotive' to product development activity. A recent empirical study by Dwyer (1989), has found that while the NGPD tended to be characterised in the

literature as a constant adjustment of task or activities at the process level, (through the integration of different business function area specialists), the organisational structure of many companies were in practice, incapable of facilitating either the resolution of interdepartmental conflicts and rivalries, or the carrying out cooperation and collaboration of cross-functional teams and task forces.

Related studies also demonstrate that organisational structures are subject to conflicting demands being placed on them, depending on the stage of the NPD. It could be argued that organisations need to exhibit different structures to match and fit with different stages in the new product development process, (Hofer and Schendel 1978, Child 1972, Miles, Raymond and Snow 1978, Poensgen (1974)).

In a related empirical study, Dwyer (1990), found evidence that a company's organisational structure not only affected its ability to promote inter-disciplinary teamwork and integration, but also could impede the proficient execution of a number of new product development process activities.

In developing the framework for a review of the new product development, a synthesis has been made of the research findings pertinent to organisational structure and integration. Generally, the literature conceptualises organisational structure in terms of its complexity, formalisation and centralisation.

3.9.1 Organisational Complexity

Complexity is seen in the management and business literature as a function of the number of specialists in a particular organisation and their professionalism. This aspect of an organisation it is argued, is particularly relevant, given the number of business functional areas involved in new product development. Hage and Aiken (1970), found that the greater the number of business functional area specialists, the greater the organisational complexity. Related studies also demonstrate the greater the degree of complexity exhibited in an organisational structure, the more difficult it is to achieve a high degree of integration amongst various sub-systems, and business functional areas. Integration and the interdisciplinary nature of the new product development process, has become a major theme in the recent literature. In particular, work has focused on the importance of companies having organisational structures which facilitate interdepartmental or sub group co-ordination, especially between technical and marketing functions. However, the literature is generally limited in terms of empirical work in this area.

3.9.2 Organisational Formalisation

Formalisation is the term used in the literature to describe the emphasis placed by an organisation on following rules and procedures. As earlier discussed, NPD can be conceptualised as an information process requiring the systematic collection, interpretation and processing of data, which necessitates management procedures and guidelines, (Cooper 1986, John and

Snelson 1988, Thamhain and Wilemon 1977). It is argued, that NGPD organisational structures need to be more flexible, with open communication channels and information flows, together with a high mobility of personnel across function area boundaries, (Souder 1987, MacKenzie 1988). However, the literature has not specifically addressed formalisation in any significant depth as it relates to NGPD. A number of studies have explored some of the peripheral issues such as, differentials in decision making prerogatives, budgetary powers and discretionary spending authorities of different business functional areas, within an organisation, (Souder 1981). However, no clear picture has emerged on the implications with respect to integration and product implementation success.

3.9.3 Organisational Centralisation

In the context of this review, centralisation is a conceptualisation of the term used to describe the hierarchy of authority, and the degree of participation in decision-making within an organisation, as it relates to new product development activities. The inclusion of the term in the overall framework is important in that the literature demonstrates this is an important aspect relating to new product development success. In particular, the literature shows that a strict emphasis on a hierarchy of authority reduces organisational innovation, (Zaltman, Duncan and Holbek 1973). Likewise, a reduced participation in decision-making can be argued to reduce or limit new insights and vision with respect to new product development activities. Giles (1991), demonstrates that a high degree of

participation in new product development decision-making, can also increase individual commitments to competing projects through ownership. Galbraith and Nathanson (1978), put forward a strong argument that there is not a 'best' organisation structure, rather, structure should be adapted to the requirements of the task, and its decision-making with respect to the task environment.

The importance of an organisation's structure and the relationship with the type of new product development decision-making has also become an important theme in recent NGPD literature. It is argued that an organisational structure needs to be able to deal with both routine decision-making activities, as well as facilitate more flexible innovative problem-solving and feedback activities. The literature identifies that functional and stratified organisation structures are associated with routine decision-making activities, and that these are often well suited to facilitate the management of existing products. However, there is substantial evidence that such structures are not so well suited to effecting change, particularly as they relate to decision-making.

3.9.4 Organisational Co-ordination and Control

The type of co-ordination and control suited for achieving integration during the product development process is clearly the subject of some conjecture in the recent literature. A number of academic researchers stress that the NGPD process by its very nature, is not conducive to formalised procedures and control,

(Gresor 1984, Quinn 1985 and Rickards 1985). The matrix structure is widely discussed by a number of researchers, in particular, Lawson and Gobeli (1988), who identify a number of different types: 'Functional', 'Balanced' and 'Project'. Such structures it is argued, foster integration of many of the business functional areas associated with NGPD, and facilitate problem-solving. Other researchers advocate a more organic type of structure with a flat decision-making hierarchy, and a low level of centralisation. The organisational structure and decision-making unit relating to the day-to-day management of new product development, has been the focus of some considerable recent research. A major theme in this area is a recognition that different organisational structures are appropriate to different types of new product development, (Cooper 1988, John and Snelson 1988, Dwyer 1990, Dwyer and Mellor 1991). A number of writers in related studies stress the importance of establishing separate organisational structures to manage new product development activities from on-going activities, (Cooper and Schendel 1976, Cooper 1988, and Quinn 1985). The problems of decision-making and new product development under turbulent market conditions have been discussed from an organisation structural perspective by Souder (1978). In a related study, Duncan (1979), Gobeli and Lawson (1987), and Keller (1986), demonstrate that a correlation exists between an organisation's structure and its size, product portfolio and the dynamics of the marketing environment.

3.9.5 Management Leadership

The literature shows that senior management can provide an environment that may be conducive or inhibitive to the development of an integrative business function marketing interface, (Souder and Chakrabarti 1978, Souder 1981, Piercy 1989, Vrakking 1990 and Larson and Gobeli 1988).

Although the literature is not very explicit, there is evidence that effective integration in this area is related to the reward system of the new product development participants, (Souder and Chakrabarti 1978, Gupta and Wilemon 1990, Wind and Manjan 1988, Humble and Jones 1989.) An empirical study, (Abbey 1982), found evidence of the importance of senior management in creating a conducive work climate with respect to organisational innovativeness. Likewise, the literature demonstrates that it is critically important for senior management to provide the proper environment for an innovative firm, Thamhain (1990). "Senior managers and team leaders need to continuously update and involve their managers.", Grossi (1990).

The role of senior management in supporting ideas and risk-taking has been related to NGPD success, (Quinn 1979, Robert 1978, and Wind 1982). Similarly, Dwyer (1990), Cooper (1986), and John and Sneldon (1988) argue that senior management in an organisation, must be willing to commit the necessary resources to all the new product process activities. However, empirical evidence indicates that although senior management espouse the benefits of new product development, they do not always provide

the necessary time, money, and manpower for proficient execution of new product activities, (Booz, Allen and Hamilton 1982, Dwyer and Melton 1991).

The need to develop an organisational climate and incentive system conducive to risk-taking has been the focus of attention by Wind and Mahajan (1988), who have also identified the need for senior management to foster and share the belief in the need for new products. Similarly, Gupta and Wilemon (1990), and Humble and Jones (1989), highlighted the same area. The literature also discusses the role of senior management in providing leadership, Humble and Jones (1989), Gupta and Wilemon (1990), Larson and Gobeli (1988), Vrakking (1990).

In a related area, the literature has a number of studies on the need for a product champion. It is argued that on examination of the determinants of successful versus unsuccessful new product activities, the majority of organisations do not have a champion. Likewise, a number of studies demonstrate how relatively little is known on how to identify, develop and reward champions or how to create an environment conducive to the development and nurturing of champions, (Booz, Allen and Hamilton 1982, Wind and Mahajan 1988, Crawford 1991, Peters and Waterman 1983, Humble and Jones 1989, Vrakking 1990).

The role of senior management in determining the product strategy and an appropriate organisation structure for carrying out those tasks is discussed in some depth by Johne and Snelson (1988),

Hodock (1990), Crawford (1991), Dwyer and Mellor (1991) and Larson and Gobeli (1988).

It is evident from examination of the literature as a whole, that the role of senior management in new product development lacks substantial empirical research relative to other new product development areas. Craig and Hart (1990), comment "Over the years many authors have recognised the importance of top management support to successful NPD, however, there has been very little empirical research in this area".

3.10 Individual Factors / Sociocultural Differences

A number of researchers in organisational behaviour have observed that when two or more groups of specialist personnel come together at an organisational interface, (with some common and conflicting interests), the extent of integration between the different groups will be related to their sociocultural characteristics, (Steiner 1965, Mintzberg 1979, Bown 1983).

The business functional areas of an organisation associated with NGPD activities, and the marketing interface, are demonstrated in the literature to reflect a wide variation of socio-cultural differences. It is argued that this area of NGPD has not received substantial attention by researchers in terms of published literature. However, the NGPD literature does include a number of related studies in general areas.

Kotler (1967), comments that "marketing represents another way

of thinking, another philosophy, another management discipline which in many respects is less exact and more qualitative in nature than engineering or technological based functions". Twiss (1974), comments that technologists view themselves as professionals, rather than business persons. The technologists' basic training and inclinations often enable them to relate to similar professionals in other organisations more readily, than to managers in their own organisation.

Other researchers have made similar observations with respect to other function groups involved in new product development activities, (Dwyer and Mellor 1991, Wilemon 1990, Johne and Snelson 1988, Cooper and Kleinschmidt 1988).

These differences in terms of management orientation, beliefs and practices, although acceptable or even beneficial in terms of conducting individual new product development activities or tasks, are likely to act as barriers to effective team integration, (Souder 1977, Crawford 1986, Peters and Waterman 1987).

Thamhain (1990), makes the comment based on an empirical study, that "because team members come from different organisations with different needs, backgrounds, interests and expertise they must be transformed into an integrated working group that is unified towards projective objectives". It is evident from the literature, that there is an overall awareness by recent researchers of the need for a more integrated treatment of the

new product development process. Socio-cultural differences between business functional areas have been identified as a significant factor in achieving group integration. It is argued that further research into this area of NPD could help management in focusing its actions on those variables which most directly affect NPD integration and product success.

3.11 NGPD Integration

From an analysis of the literature, it is evident that the systematic integration of the business functional management areas associated with new product development, especially the area of marketing, has not been the subject of many theoretical or empirical investigations. Wind and Robertson (1983), observe "the interdependency between marketing and other business functions has received little attention in the literature. Likewise, Hutt and Speh (1984), observe that "the marketing literature has given little attention to the web of interrelationships that exist between marketing and other business functions". This is especially surprising, given the pivotal role that functional interdependence or integration effort inevitably assumes in discussions of the marketing concept.

3.12 NGPD Process

Process factors relating to the new product development can be conceptualised in terms of the direction and frequency of

activities, and information flow linking the business functional areas with and between subgroups or departments, in an organisation. It is an area of the literature that has received some considerable attention both in terms of qualitative and quantitative studies which are empirically based, and theoretical studies of a more prescriptive nature, based on grounded research.

However, in any conceptualisation of the new product development process, it is necessary to take cognizance of the dilemma between the requirements of practical efficiency and thoroughness.

It is evident from the recent literature, that the new product development processes have become sophisticated in terms of their focus, orientation and methodology. In examining the NGPD literature with respect to the NPD process, three areas of study can be identified:

1. specific activities undertaken in the new product development process
2. extent to which the activities are executed
3. completeness of the process.

3.12.1 NGPD Process Activities

The literature exhibits a number of studies, SAPPHO Rothwell et al, (1972 and 1974), Rubenstein et al (1976), Project NewProd, Cooper (1979 and 1980), Booz, Allen and Hamilton, (1982), Scimitar, Carson and Richard (1979), SINPO (1982), Stanford Innovation Project, Maidique and Zirger (1984), which have

contributed to the development of formal new product development processes.

An important feature of the literature is its multi-disciplinary nature. Saren (1984), provides a useful and comprehensive review of these business activities. One of the popular conceptualisations of the product development process is provided by Crawford (1983), who splits the product development process into six key activities or tasks (table 3.3).



Table 3.3 Key NGPD activities (Crawford 1983)

Each of these activities or tasks has been demonstrated to have its own set of specialist sub-activities. Cooper and Kleinschmidt (1986), provide a useful list and discussion on the span of operational specialist sub-activities, associated with new product development.

The iterative nature and inherent complexity of the new product development process make it a difficult process to define. In essence, the NGPD models generally begin with a concept and the final stage or activity, ends with the launch of a new product. The literature identifies numerous conceptual NGPD process models which are described in a variety of ways, ranging from a series of events, decisions, activities, or departmental stages.

Contributors to this particular literature come from both the marketing, design and engineering domains. Although the overall models differ, they all essentially consist of a series of sets, which are evaluated according to a variety of specialist business functional area criteria and marketing acceptability. The literature discusses a variety of ways by which the NGPD process activities should be carried out from an operational context.

The NGPD model identified earlier by Crawford (1983), is characterised by a number of sequential steps or stages. Takeuchi and Nonaka (1986), argue that in the case of high technology products, it can be advantageous to undertake activities in parallel to gain competitive advantage. A number of studies in the literature demonstrate that the new product development process, by its very nature, is a creative process of often convergent and divergent activities that require a multiple business functional area approach. Some writers argue that the NGPD model components should be continuously monitored and evaluated as part of a formal control system, (Cooper 1983, Quinn 1985, Johne and Snelson 1989 and Barclay and Benson 1987).

In recent years, the literature has exhibited a growing number of academic writers who have put forward the proposition that NGPD needs a strong integration and orchestration of cross-business functional activities. A similar literature by practitioners also now sees the product innovation process as a sequence of interrelated multi-functional efforts. Abernathy and Clarke (1985), highlight the fact that a number of management

functional tasks need to be targeted in order to promote product success. Empirical research provides evidence for linking proficiency of new product process activities with organisational characteristics, (Dwyer and Mellor 1991). In terms of the effectiveness and efficiency of any particular model type, the literature is not particularly explicit. Johnne and Snelson (1988), propose that the efficiency in performing each task of the new product development process from an operational context, can be 'checked' against each of the 7'S's in the McKinsey model. Similarly, Cooper and Kleinschmidt (1990) discuss the need to monitor and control business functional area activities within the context of NGPD on a continuous basis. They argue a strong case for 'decision gates' to be set up which act as bench marks to monitor quality and progress of NGPD activities.

A number of other writers in the literature also relate to this subject of the evaluation of NGPD process activities, and suggest that evaluation should include both technical and marketing criteria, (Hippel 1978, Johnne and Snelson 1988, Cooper 1984, Cooper and Kleinschmidt 1986, and Dwyer and Mellor 1991).

3.12.2 Completion of the NGPD Process Activities

The extent to which the business functional area activities are executed and the completeness of the NGPD activities have been examined by a number of authors. Recent empirical research has demonstrated a correlation between project success and the completeness of the NGPD process, (Cooper and Kleinshmidt 1986). In this study, a number of organisations were examined against

a 'skeleton' of thirteen business functional area activities drawn from the NGPD literature, including empirical research and normative work, (Booz, Allen and Hamilton 1982, Cooper 1983, Little 1970, Myers and Marquis 1969, Rothwell et al., 1974 and Utterback 1971). The skeleton was used as a guide during interviews with new product development managers from a number of different organisations and types of organisations, in order to help identify what was actually occurring in practice. The research suggests that organisations need to give more emphasis on market studies, initial screening activities and preliminary market assessment. It is evident from this research and other related studies, that the new product development process is deficient or missing in many organisations, (Johne and Snelson 1988, Barclay and Benson 1988, Wind and Mahajan 1988, Dwyer 1990). The literature indicates ways by which organisations conceptualise the new product development process will affect the extent to which they implement the various business activities. Wind and Mahajan (1988), further observed that most organisations, once they adopted one of the 'text book' processes to meet their idiosyncratic needs, tended to view the process as a rigid sequence of steps. In a study by Cooper and Kleinschmidt (1988), they comment that a number of activities, often critical activities, are omitted altogether by organisations, and other key activities are only superficially or weakly undertaken. This is an important finding because it means that despite the possible need to undertake some sub-activities in a non-sequential way, each will nonetheless have to be undertaken to a minimum level of acceptability.

Recent evidence collected by Moore (1987), indicates a greater increase in the use of formal product development systems by organisations. However, it can be argued that related studies would also indicate that the mere adopting of a system is in itself, insufficient. Organisations involved in new product development need to develop comprehensive plans to implement and control the process and in particular, evaluate performance where market conditions are dynamic.

The literature, to a certain extent, lacks significant dialogue with respect to the cost benefits of carrying out or omitting particular activities of the NGPD process. Evans (1990), however, does address some aspects, in particular, how this relates to the potential profit/loss from a delayed product launch. Even so, the literature would appear to exhibit a gap with respect to empirical studies in this area.

3.12.3 Simultaneity: NGPD Process

The literature shows a growing evidence from academic researchers for a re-examination of the present conceptualisations of the new product development process. Heany and Vison (1984), Takeuchi and Nonaka (1986), suggest a significant dissatisfaction with both the outcomes of the new product development processes, and the process itself. Similarly, Wind and Mahajan (1988), comment that in cases involving disuse or poor implementation of the NGPD process, correcting the situation requires identification of the reasons for disuse or poor implementation. It is argued, that in cases where the new product development process has been

implemented and the results unsatisfactory, it is necessary to re-examine the whole process.

The early NGPD literature described the simultaneity of the NPD process activities as a series of sequential steps with each following in a logical order, (Sommers 1982). This approach has been termed in the literature as the 'relay approach' to new product development.

The screening of ideas follows from the development of ideas, business analysis follows from concept testing and so forth. Depending upon a number of factors, which include organisational and industry type, the literature indicates certain stages can be 'leap-frogged' or partially omitted. However, it is evident from the literature that the process itself can be seen as inherently long and complex, frequently involving many organisational departments and functional business areas, and performing a great variety of tasks. Within each process stage, tasks are subsequently described as being performed by a variety of functional areas which frequently are pursuing divergent and competing objectives. Recent literature discusses the NGPD process as a number of overlapping stages or activities, (Andreasen and Hein 1987, Imai and Takenchi 1985, and Pegels 1987). The inclusion of research, particularly marketing research, throughout the NGPD process, and the importance of reducing development times so as to commercialize new products as quickly as possible, have been stressed in the literature, (Dwyer 1990, Cooper and Kleinschmidt 1988, Johne and Snelson

1988, Bingham and Quigley 1990, Wind and Mahajan 1988, Lonsdale and Stasch 1986, Takeuchi and Nonaka 1986).

The emergence of parallel processing (the so-called "rugby" approach), necessitates where possible the pursuit of different process activities simultaneously, rather than in sequence. It is argued that the literature demonstrates a need for an integrated business functional area approach to NGPD, which is multi-functional and multi-disciplinary, involving a whole new product development team, (Thamhain 1990, Larson and Gobel 1988, Cooper 1988 and Hopkins 1974).

Although the concept of parallel process activities is well documented and understood in the engineering domain, it is argued that this is not the position with respect to marketing and new product development. Craig and Hart (1991), comment "a theoretical and empirical contribution is needed from the researcher in marketing, because although greater integration through parallel processes is being attempted by various technical disciplines, the marketing perspective is still being 'tacked on'".

The literature indicates a linkage between new product development success and an organisation's ability to manage several areas or process activities successfully and simultaneously, from one integrated management position.

3.13 NGPD Success

A number of empirical and analytical studies are identified in the literature which examine factors that are associated with new product development success. It is subsequently evident that the various factors affecting success and failure of NGPD, form a complex set of variables that will differ for each product and organisation.

From analysis of the literature, it can be argued that empirical and analytical success factors have been derived from four analytical perspectives:

1. market and operating environments of an organisation
2. actions or attributes of an organisation as a whole
3. groups of people with an organisation
4. specific individuals of an organisation who are or ought to be involved in NGPD.

The literature further demonstrates that a number of writers and researchers have examined these analytical NGPD success factors from two main bases or perspectives:

1. project level (individual products)
2. programme level.

The majority of empirical studies in the literature discuss factors associated with NGPD success at the project level, (Rothwell et al, 1972, Myers and Marquis 1969, Rothwell 1977, Rubenstein and Chakrabarti 1976, Hopkins 1981, Maidique and Zirgler 1984, Cooper 1985, Cooper and Kleinschmidt 1987). This literature gives evidence that at least seven factors can be

associated with success at the project level, as shown in table 3.4

The literature exhibits some confusion with respect to success factors, because the basis of the analytical perspective used by the writer or researcher is often not clearly stated.

The time horizons over which NGPD success is measured, has in particular, received scant attention. Gluck and Foster (1975), gave some attention to this area by considering the dangers of short-run success of individual new product developments, and in particular, those involving relatively low risk, where due consideration had not been given to other aspects of the long-run future of the organisation.

Similarly, Johne and Snelson (1988), discuss the difference of the two levels as very important. They argue that the factors associated with 'project' success are only concerned with aspects of efficiency in product development. Such factors are stressed as both imperfect and incomplete as measures of NGPD success. The following reasons are cited:

Imperfect, because the 'high impact' measures associated with efficiency in product development, can be achieved by many new products, or by one or more lucky or accidental new products, which after introduction, happen to account for a high proportion of an organisation's sales revenue

Incomplete, because efficiency factors only consider or summarise

part of the total research activity associated with NGPD .

Factors Associated with Success at the Project Level
a product offering which exhibits a substantial market differential advantage, i.e. unique, superior with measurable cost benefit customer advantages
a superior understanding of customer 'needs', 'wants' and 'preferences', which necessitate a strong marketing orientated organisation with various marketing functional areas inputs
strong product launch activities including selling, promotion and distribution
technological strengths and synergy between the products' technological base and the resources of the firm
marketing synergy with other business functional areas
attractive market
top management support and commitment

Table 3.4 NGPD success factors at the project level

At the programme level, the literature reveals far fewer analytical and empirical studies, (Cooper 1984, Johne and Snelson 1988, Cooper and Kleinschmidt 1990, Dwyer 1990, Barclay and Benson 1989). The main factors for success which can be synthesised from this literature are shown in table 3.5.

It is evident from the literature that the determinants of NGPD success at both the project and programme levels are numerous and interrelated. It is argued that the integration of the business functional areas involved in NGPD, acts as a common thread in determining success.

From an analysis of the new product development literature within the NPD framework, it can be concluded that significant NGPD success is determined by the extent to which senior management of an organisation involved in NGPD activities, explicitly

identifies the need for integration between the business functional areas involved with NGPD and the marketing interface.

Factors Associated with Success at the Programme Level
relative track record in terms of the proportion of successful developments compared to those terminated before launch
relative impact in terms of the extent to which new product development activity accounts for a given proportion of an organisation's current sales and profits
relative performance in terms of the strategic success of the new product development programmes.

Table 3.5 NGPD success factors at the programme level

This can be contrasted with the adoption and implementation of adhoc integration programmes involving NPD activity. In other words, NPD success can be demonstrated in the literature to be related to the ability of management to reduce the gap between the degree of business functional area integration ideally required and currently achieved within the context of new product development. Examination of the literature in this context reveals a scarcity of academic argument.

Overall, the examination of the new goods product development literature as shown in the proceeding section, demonstrates, it is vast and contains a rich body of learned opinion and empirical research of enormous variety. However, the majority of this literature relates specifically to manufacturing industry.

Section Two

3.14 Differences between Goods Products and Service Products

The literature relating to NPD in the services industries and, in particular, the financial services sector, is relatively sparse and is largely normative in nature. Zeithaml, Parasuraman and Berry (1985), comment that "very little however, has been written about the development of new services and even less has been done in the way of broad empirical research". Similarly, Easingwood (1986), Wilderom (1991), Brown, Hayes and Saunders (1989), Martin and Horne (1990), and Brentani (1990), make similar observations and suggest that many of the key issues in new product development have almost totally been ignored in the case of services.

The literature on new service development, and in many instances on service marketing in general, concentrates almost exclusively on the factors that distinguish services from manufactured goods. These characteristics or factors describe unique problems which researchers suggest call for different marketing solutions and a different approach to NSPD.

The special characteristics commonly ascribed to services have been a continuing theme in the service marketing literature. A major problem that the marketing literature exhibits relates to a common definition of 'product' and 'service'. This is, naturally, an important consideration and a weakness in the literature since, it can be argued, a common definition is needed

to facilitate a more unified framework for research and analysis.

The marketing literature as a whole, contains evidence of practitioners, academics and researchers using the words 'product' and 'service' in quite different ways in the same context. Juran and Gryna (1980), state that "we will frequently use the word 'product' as a short generic term to designate both goods and services". Economists discuss the term 'product' as a measure of economic activity or output which can be broken down into two classes: the tangible product which they call goods, and the intangible product which they call services.

Shams and Hales (1989), comment that the marketing literature, when distinguishing between mutually exclusive 'products' and 'services,' is fraught with classification and explanatory confusion. A number of writers in the marketing literature have discussed the differences between goods and services by distinguishing between 'performance' and 'objects', (Rathmell 1974, Berry 1980, and Shostack 1984). A number of other writers (Stanton 1984, Cowell 1984, Levitt 1981, and Besson 1973), differentiate between the two terms by defining characteristics of services: intangibility, inseparability, heterogeneity, perishability and non-ownership. Similarly, some writers have discussed the differences between products (goods), and services, by attempting to separate all products into mutually exclusive categories of 'goods' and 'services'. Cowell (1984), Rothwell (1974), and other writers in the literature, strongly argue the use of a single term 'product', (Middleton 1983, Kotler 1984).

This lack of clarity, particularly in the early literature, it is argued, has impeded the understanding and communication of service marketing and new service development.

The recent literature recognizes that the differences between services and products are not dichotomous, but are continuous, creating products which differ by degrees. Shams and Hales (1989), identify and discuss a number of product types described in terms of the proportion by which they embody physical commodities, commodity transforming activity and interpersonal activity. They argue that the polar terms 'goods' and 'services' should be abandoned since the literature is unable to show and sustain a clear and unambiguous distinction between both terms. A continuous and uniform product scale is discussed, where all products lie somewhere along; determined by actual features of the product. The continuum differs from that developed by Shostack (1984), in that it does not have product-dominated and service-dominated entities at the end of the scales.

The following section examines the new product development literature, to seek any evidence to substantiate the proposition that the special characteristics (intangibility, simultaneity, heterogeneity and perishability) affect the new service product development process, and, in particular, new financial service products. These terms have been defined and interpreted in a number of ways, (Donnelly, Berry and Thompson (1985) discuss them in a broad context with respect to financial service products).

3.14.1 Intangibility and New Service Product Development

Surprisingly, the literature does not show a lot of evidence, particularly empirical evidence, that demonstrates that intangibility affects the new service product development process. As previously discussed, the literature suggests that intangibility is the strongest description of service product. In an empirical study by Cooper and Brentani (1991), it is demonstrated that, in the case of a financial service product, when tangibility was enhanced by increasing the peripheral tangible component of the service product, profitability benefits were achieved, albeit in some instances only small.

Easingwood (1986), in an empirical study, demonstrates intangibility can be linked with the rate at which new service products can be introduced. It is argued that the more intangible a service product is, the quicker it can be introduced to the market-place. Likewise, the ease of product development was also linked to product proliferation, which was also linked with communication confusion among customers. The risk of increasing this confusion was discussed by a number of writers who considered it may limit in practice, the number of actual additions to a product line an organisation is able to make. Shostack (1984), Berry (1980), Davison, Watkins and Wright (1989), discuss the proliferation of similar ideas and relate this to the special difficulties in protecting innovative service product ideas from competitors. They also discussed and highlighted the relatively low initial financial investments required for NSPD development in comparison with the development

of goods products. Similarly, Brentani (1990), and Wind (1982), suggest that service product organisations tend to have a lower incentive (due to the ease of copying competitors' service product offerings), to undertake expensive financial and human resource investments in developing very innovative service products. The attainment of a long-term competitive advantage by being first in the market-place was not considered a strategic advantage for many organisations. In related studies, Rushton and Carson (1985), observed that because organisations in many sectors of the service product sector, can respond relatively quickly and at relatively low cost (when compared with tangible goods product manufacturers), service product developments are more likely to entail modification or augmentations to existing offerings. A similar theme was also expressed in other studies, (Gummersson 1981, Jackson and Cooper 1988, Lynn 1987, Davison, Watkins and Wright 1989).

In related studies and empirical research, the literature indicates that service product organisations tend to adopt a more casual approach to the development of new service products, compared to tangible product manufacturers, (Shostack 1984, Bowers 1986, Easingwood 1986, Booms and Bitner 1982, and Brentani 1990). This has also been linked to the ease of imitating competitors' service product offerings, particularly with respect to financial service products. Brentani (1990), in an empirical study, highlights problems such as poorly researched service concepts, haphazard design process, inadequate testing and insufficient planning for an effective market launch ,resulting

from organisations that had rushed the service product development activities.

3.14.2 Simultaneity and New Service Product Development

Easingwood (1986), comments that "simultaneity at least for NSPD, deserves to be ranked alongside intangibility as a service characteristic". The effects of simultaneity are discussed in terms of its effect in the organisation of NSPD process activity, the generation of new product ideas, and the assessment of new service products. In related studies, Brentani (1991), and Gronroos (1982 and 1990), discuss the linkage between customer satisfaction, the outcome of the service, and the process by which it is produced and the activity channel within the context of simultaneity. It is argued that these aspects become critical components in the service offering. The need for a broader and more active involvement of an organisation's business functional area specialists than perhaps typical of a goods manufacturing NPD process, was identified by Shostack (1984). In related studies, the dangers of concentrating too exclusively on operational aspects at the peril of ignoring marketing aspects was discussed by a number of writers, (Langeard and Eiglier 1983, Lovelock 1984, Booms and Bitner 1982). In a study of financial service organisations, Easingwood and Mahajan (1989), observed that many customer service product relationships were forged on the basis of satisfying long-term customer needs. The implication of this study for NSPD is the need to develop a full line of services. This observation has some negative and opposite forces in terms of customer communication, as discussed

with respect to intangibility in the previous section. The service product customer relationship with new service product development within the context of simultaneity was the theme of a number of other studies in the literature, (Brentani 1991, Morris and Fuller 1989, Gummesson 1981 and Lynn 1987). In particular, the need for a customer specific service product offering, compared to a standardised goods product was discussed.

3.14.3 Heterogeneity and Perishability and New Service Product Development

The literature demonstrates little evidence to substantiate the proposition that the special characteristics of service products in terms of heterogeneity and perishability affect NSPD in a unique manner. Easingwood and Mahajan (1989), discuss the need for a standardised product with respect to financial service products to facilitate better product quality, and to reduce customer uncertainty. They also recommend the development of 'preassembled packages of services'. Maister and Lovelock (1983), also discuss similar views in a related study. However, the call for preassembled packages of services was discussed much earlier in the literature, (Levitt 1976).

It is argued that the literature relating to the perishability of services with respect to the development of new products is even more sparse than that dealing with heterogeneity. Brentani (1990), discusses the implications of fluctuations in demand, similarly, Sasser (1976). In a related study, Berry (1980), also recommends faster and more efficient operating systems.

Examination of the new service product development literature shows that the NSPD process is affected by the cited special service product characteristics. However, the literature with respect to heterogeneity and perishability was particularly sparse. A number of other studies in the literature also indirectly explored the issue of the special service product characteristics, and NPD. However, the findings of these studies were not explicit, and conclusions were a matter of degree when compared to some tangible goods products.

It is evident from the literature that new service product development as a literature is still emerging, and that further studies and empirical work is sought in order to determine whether any significant relationship exists between the cited service product characteristics and NPD.

A Literature Review: New Service Product Development

The literature of new service product development starts in the late 70's and early 1980's, (Glazer and Montgomery 1980, Urban and Hauser 1980, Sasser and Olsen, 1978, Shostack 1977). It can be argued that aspects of these studies opened new ground in marketing literature. Cooper and Brentani (1991), comment that "research into why new service products fail or succeed, in contrast to manufactured products is still in its infancy - approximately where similar research into manufactured products stood in the early 70's".

The early studies generally tended to focus on emphasising

specific aspects of NSPD, (eg. idea generation, business analysis, launch of a new service). Towards the mid 1980's, studies in the NSPD literature tended to examine multiple NPD issues, and began to use empirical evidence as the basis for conclusions.

It can be argued however, that the NSPD literature, like the goods NPD literature, lacks an overall comprehensive framework. Examination of the 'goods' NPD literature did reveal a number of studies which had used some conceptual models to explore other work, i.e. the adaption of McKinsey 7'S's. This however, was not evident in the NSPD literature.

As previously discussed, the recent literature recognizes that the differences between service products and goods products are not dichotomous, but are continuous, creating products or outputs which differ by degrees.

Consequently, it is argued that rationale used previously to develop a comprehensive framework for examining the new (goods) product development literature will also be valid for service products. Hence the following review of the NSPD literature should be read as both an addition and extension of the 'goods' NPD literature. The following review explores the literature which explicitly addresses the development of new service products.

3.15 NSPD: Information Inputs and Decisions

The literature indicates that the information processing needs of service product organisations is different to goods product organisations. Although both types of 'product' organisations need to process information to accomplish business functional area tasks in the NSPD process, it is argued because of the intangibility of the service product, and the effect of simultaneous production and consumption, it is necessary for service organisations to process additional information arising from the point of service encounter, (Larsson and Bowen 1989, Bowen and Jones 1986). It is also argued that this gives rise to special problems in the dissemination and use of information for the development of new service products, (Zeithaml 1981).

In a study of corporate banking services, Stevenson (1989), discusses the need for market research within the context of NSPD. Davison, Watkins and Wright (1989), in an empirical study, indicate that a gap between theory and practice exists, and call for more marketing research to be undertaken by organisations with respect to NSPD. They further argue, that because of the ease of copying competitors' service products, 'reverse engineering' is common, and hence some financial service organisations consider this obviates the need for market research.

3.16 NSPD: Organisational Strategy

Organisational strategy, defined in terms of 'Prospectors',

'Analyzers', 'Defenders' and 'Reactors' as previously discussed, can be examined from a new service product development perspective in terms of an organisation's information processing needs. Miles and Snow (1978), as earlier discussed indicated that such needs will decline as an organisation moves from Prospector to Reactor strategy positions.

Overall, the literature is relatively sparse in its articulation of organisational strategy as it relates to NSPD, and tends to discuss strategy at the programme operational level.

Ennew, Wright and Watkins (1990), in an empirical study, discuss corporate strategy responses with respect to financial service organisations which result from an organisation's response to its perceived environmental uncertainty. Brentani (1990), identifies organisational strategy as an important determinant of success in new industrial services defined in terms of project fit, organisational capabilities and resources.

The financial services new service product development literature indicates that substantial marketing activity, particularly in the personnel services sector, consists of 'me too' services and products on the market, (Davison, Watkins, Wright 1989, Bowers 1986). The literature would suggest that the low barriers to entry pressure service organisations to move quickly to emulate market leaders. It was identified earlier that many financial service organisations do not consider being first into the market-place with product service, as a sustainable competitive

advantage.

The role of new service products in organisational strategy is discussed in the literature from the basis of a number of empirical studies, as an important or very important component of an organisation's overall strategy. Booz, Allen and Hamilton (1982), discuss this aspect in the context of a wide range of US service organisations, and report on the new service product contribution to organisational profit. In a similar study, Easingwood (1986), discusses new service product development in terms of its contribution to an organisation's sales revenue.

3.17 NSPD: Environmental Uncertainty

An organisation's perceived environmental uncertainty is cited, as earlier discussed in the literature, to be its ability to anticipate changes in competitors, strategies, consumer new service product requirements, technology emergence of new regulatory constraints on service product performance and design. A number of writers in the new service product literature have discussed environmental uncertainty and the implications to new service product development. In particular, the financial services sector has received some attention in the literature. The extensive recent UK legislative changes, new regulatory frameworks, the internationalisation of financial markets, the development of information technology, the impact of new market entrants and the growing awareness and sophistication of customers in terms of service product needs, are, as discussed

in Chapter Two, highlighted as impacting on new service product development, (Watkins and Wright 1986, Carter 1986, Easingwood 1989, Meidan and Moutinho 1989, Cooper and Brentani 1991, Ennew Wright and Watkins 1990).

Similarly, Martin and Horne (1990), discuss environmental uncertainty as it relates to non financial service products and the 'strategic challenges' involved in restructure reorientation of organisations, both internally and externally, as they move from a goods product to a service product domain.

The literature demonstrates that increasing attention is being given to methods of developing and introducing new services as a result of high failure rates, (Brown, Hayes and Saunders 1989, Easingwood 1986, Brentani 1990).

3.18 NSPD: Organisational Factors

As previously discussed, organisational structure is conceptualised with respect to the NPD framework in terms of its: complexity, formalisation and centralisation. The effect of simultaneous production and consumption as reflected in organisational structure and complexity with respect to new service product development, is discussed by a number of writers in the literature.

Chase (1989), discusses inter-organisational systems in the 'service factory concept,' and urges that the customer should be

involved in the service design process and this impinges on organisational structure. Complexity is further highlighted by the various ways by which a client-customer can participate in the production function, (Chase 1978, Lovelock, Langeard, Bateson and Eiglier 1981, and Langeard 1983). In a related area of study, Heskett (1986), discusses whether service organisations should be structured in the same way as industrial manufacturing organisations, and how this affects NSPD.

The literature in this area of service marketing would suggest that empirical research is focused mainly on the relationship between 'customer and producer', (Gronroos 1990, and Cornish 1989).

As previously discussed, it can be argued that organisational structure is a critical variable in determining the information processing potential between its various sub-units, and the environment. Wilderom (1991), discusses the need for an organisational structure to facilitate an optimal reciprocal process of horizontal and vertical communication, which it is argued, is critical to various process stages in developing new service products.

3.18.1 NSPD Organisational Formalisation

The extent to which organisations should formalise aspects of NSPD process have been discussed in the literature by a number of writers, (Johne and Harborne 1985, Davison, Watkins and Wright 1989, Brentani 1990, and Cooper and Brentani 1991, Easingwood and Storey 1991).

A number of writers have discussed the role of product management

within an organisational context together with the need for teamwork and integration of the business functional areas. In the case of financial service organisations, it can be argued that there is a need to have an organisational framework at the product management level for each type of financial service, (Turner 1989, and Stevenson 1989). The importance of organisational structure and formalisation in the context of NSPD within large UK banks was discussed in the literature, (Johne and Harborne 1985). 'Hidden operating' structures resulting from empirical research were identified. It was subsequently argued that banks which are active and experienced in service product development, use organisational structures which are significantly different and also better suited for the task of developing new service products than those less active innovational banks.

3.18.2 NSPD Organisational Centralisation

Centralisation and NSPD have received little direct attention in the literature. Johne (1984), is one noticeable study which discusses issues relating to centralisation and UK banks. The importance of operating structures which stimulate and progress efficient new service products is discussed in the study. Banks are identified as organisations with high levels of standardisation, formalisation and centralisation, (tightly controlled with a bureaucratic power invested in senior management).

3.18.3 NSPD Management Leadership

The role of senior management is extremely important in fostering the development of co-operation and integration of the business functional specialists involved in new service development activities, (Piercy and Morgan 1989, Meidan 1983, Easingwood and Mahajan 1989). Empirical work by Brentani (1990), identifies a key role of management in creating an innovative corporate environment in planning, implementation and internal marketing with respect to new service product development: "Management's ability to harness its specialised business functional area resources is identified as of particular relevance for a proficient NSPD". Similarly, John and Harborne (1985), discuss this issue with respect to UK Banking and Financial Service organisations. Wilderom (1991), discusses whether or not a service organisation requires a different style of management from that exhibited by manufacturing organisations, and relates the findings to new service product development. In essence, it can be argued that the optimal functioning of a service organisation depends heavily on customer information, collected at the base of the organisation and sent upwards. Likewise, it can be argued that it is essential that management recognizes and supports this information gathering process, particularly as it relates to NSPD activities.

Martin and Horne (1990), discuss the role of product champions, (which was an important theme of the literature relating to new goods product development), from the basis of some empirical research. They conclude that the 'champions' begin the process

of gathering data to support the NSPD decisions, particularly with respect to the no go/go decision. Also, two champions are identified in new service development: the initial lower level manager and the senior level manager. Generally however, the literature with respect to service products and product champions, is sparse.

3.19 NSPD:Individual Factors / Socio-cultural Differences

The new service product development literature contains relatively few studies which directly discuss the socio-cultural difference that exists in an organisation at the business functional area interface.

The socio-cultural differences as they relate to NSPD can be defined in terms of:

'professional bureaucratic orientation' of the business function area performers and managers

'tolerance for ambiguity' (which relates to the extent to which business functional area performers and managers are able to deal with uncertainty arising from the development of new service products, (Budner 1962, Ouchi 1980, Bowen and Jones 1986).

The complexity of service marketing with respect to manufactured products, and the underlying importance of communication between the service providers - the front line personnel, and the customer, is discussed by a number of writers. However, the literature does not particularly discuss the interrelationships

of the different function area specialists and how this affects NSPD. A communication and integration concept in service delivery, which attempts to explain the information processing requirements for all participants in new service product development which also indirectly addresses tolerance for 'ambiguity', has been the theme of a recent and important study (Siehl, Bowen and Pearson 1991).

Socio-cultural influence on new service product development is also discussed from a perspective of different reward systems relating to different business functional areas, (Thompson and Wright 1988). Similarly Kanter (1990), discusses the need for internal collaboration between business functional areas and reward systems based on the acquisition of new skills arising from new service product development activities.

3.20 NSPD Integration

The internal integration of business functional area activities involved in new service product development, is identified with successful service product development in commercial banks, (Ennew, Wright and Watkins 1990, Jones 1985). In an earlier but related study, Thamhain and Wilemon (1977), also identify a similar relationship between successful service product innovation and the integration of business functional area managers, and also discuss integration problems arising from different cultures and management styles within organisations. Overall, the NSPD literature which explicitly discusses the concept of integration, is very limited in size and scope.

3.21 NSPD Process

The literature indicates the process activities with respect to NSPD are relatively unsophisticated, (Rathmell 1974, Easingwood 1986, Cooper and Brentani 1991). Many service organisations are characterised by the informality and the adhoc nature of the procedures adopted with respect to the process activities of new service product development. This is in strong contrast to that depicted of the goods product producers, where the literature reports them as using a formal new product development process, (Booz, Allen and Hamilton 1981/1982). In a study of financial service organisations, Davison, Watkins and Wright (1989), concluded that the development of new service products does not follow the procedural stages recommended in the goods products literature. A number of writers call for those activities which define the NSPD to be carried out in efficient and orderly ways in order to achieve service product success. Brentani (1991), in an empirical study, argues the need for financial organisations to be proficient in how they go about developing services, calling for a drawing-board approach for identifying and designing the necessary elements and processes.

3.21.1 Completion of the Process Activities

A number of researchers have carried out empirical studies to determine which process activities service organisations actually carry out when developing new service products. Davison, Watkins and Wright (1989), in a study looking at a number of different financial institutions (banks, building societies and insurance

companies), state that the majority of organisations in their survey did not follow the procedural stages recommended in the NPD literature. A closer look at each stage of the process highlights the divergence between theory and practice.

An earlier but related empirical study by Reidenback and Moak (1986), of US Retail Banking, demonstrates the failure of these financial organisations to fully complete all the stages of the process model developed by Crawford (1980). The study also indicated that the later stages of the process (product testing, test-marketing and commercialization) were decidedly less important in the development of new banking products. In a related study, bank performance was examined in the context of how these organisations carried out NSPD. Associative evidence was discussed which linked higher performance with those organisations that had adopted a more structured and formal approach to new service product development.

In an empirical study of industrial financial service organisations, Cooper and Brentani (1991), discuss a number of measures of the new service product development process in terms of the quality of execution of the technical and marketing activities.

3.21.2 Simultaneity of Process Activities

The literature contains little discussion and no empirical evidence in respect to the simultaneity of the NSPD process activities. Some of the studies indirectly refer to both

sequential and parallel processing.

3.22 NSPD Success Factors

The NSPD literature overall contains far fewer empirical and analytical studies into factors that are associated with success, than tangible new goods products. Brentani (1990), comments that this area has been addressed in relative depth for manufactured goods, but almost totally ignored for services. Significant studies that have specifically addressed success factors include Reidenback and Moak (1986), Brentani (1990), Easingwood and Storey (1991) and Cooper and Brentani (1991).

The NSPD literature, like the NGPD literature, demonstrates some confusion with respect to success factors in terms of the analytical basis or perspective, which is not always clearly stated.

Easingwood and Storey (1991), in an empirical study into new consumer financial services, identify four factors which are highly correlated with NSPD success, as shown in table 3.6

NSPD Success Factors
overall quality
differentiated service product
service product fit and internal marketing
use of technology

Table 3.6 NSPD success factors (Easingwood and Storey 1991)

Similarly, Brentani (1990), in an earlier empirical study,

examines a broad range of service industries and identifies seventeen independent factors that describe the problems and key issues that need to be considered in developing new business services. It is argued that since organisations create new services to achieve different performance objectives, then some of the identified factors will be more strongly associated with success than others. In a later study, Cooper and Brentani (1991), discuss the key determinants for new service development success as being a sharper project selection, and focus on the NPD activity process. In the latter case, the use of a formal new service product process or stage gate system is advocated to facilitate a quality of execution and a strong market orientation.

Section Three

3.23 New Service Product Development Literature: Gaps and Deficiencies

From the review of the literature as presented, it can be seen that the published knowledge on new product development contains a rich body of learned opinion and empirical research of enormous variety. However, the majority of the literature relates specifically to manufacturing industry. There is no similar richness of either theory or research specifically concerning new service product development. As a consequence, the new service product development literature exhibits a number of both gaps and deficiencies compared to goods products. In particular, the NSPD literature relating to financial service products is extremely sparse.

A list of deficiencies and gaps identified from analysis of the literature is set out below:

3.24 Organisational Strategy

(1) new financial service product development strategies and organisational capability

The literature, as previously discussed, is relatively sparse in this area of NSPD, with respect to financial service product development. In particular, the literature can be argued to be deficient as it relates to empirical studies which examine new financial service product development with respect to the match between NSPD strategy, organisational capability, and resources at the NSPD project level.

3.25 Environmental Uncertainty

(2) monitor the external environment with respect to new financial service product development

The literature specifically exhibits both a gap and a deficiency in terms of empirical studies which examine how financial service organisations monitor their external environment with respect to their NSPD activities.

(3) role of enabling technology

A gap also exists in the literature in terms of the extent to which it identifies the role and influence of enabling technology in new financial service product development.

3.26 Information Inputs and Decisions

(4) role of information inputs: technology

The role of information in new service product development is an area of the literature that has not received a lot of attention from academics and researchers. This is somewhat surprising,

given that managers need information to make decisions. A number of writers characterise the services marketing environment as dynamic and hostile with changing customer needs, (Bitner and Zeithaml 1987, Easingwood and Arnott 1991, Ennew, Wright and Watkins 1989), which would suggest a greater and faster need for information. Likewise, given the importance of business functional area integration and communication, it is particularly surprising that only a few studies have examined information inputs in terms of quality, dissemination and use with respect to NSPD. This is especially so since, as earlier discussed, a number of writers have argued that the manner by which information inputs the NPD process, how managers assemble it and how managers communicate information within the organisation are important determinants of NSPD success. Furthermore, the conceptualisation of the NSPD process as an information assembly process line (3.8), demonstrates the importance on which subsequent evaluation and decisions are based. It can also be argued that the extent to which integration is achieved with respect to NSPD activities will depend on the effectiveness of the communication channels within an organisation. The NSPD literature also gives very little insight into the role of information technology with respect to how NSPD information is generated and its effect on the NPD process. Overall, this area of the NSPD literature dealing with information inputs has received very limited attention and represents both a deficiency and a gap in the literature .

(5) speed of NSPD decision-making

The speed of NSPD decision-making can be identified as a gap in the literature. In fast pace-setting environments, the tumult of technical and innovational changes places a high premium on rapid decision-making, particularly with respect to NPD activities, (Bourgeois and Eisenhardt 1988). However, the literature contains no major research studies on fast strategic decision-making within the broad context of new service product development and, particularly, in the case of financial service product development.

3.27 Organisational Factors

(6) NSPD organisational structure

Given that the literature suggests service organisations, and in particular financial service product organisations, have a limited degree of marketing management sophistication, it is surprising that the literature does not explicitly address the types of organisational structures and cultures that facilitate NSPD. Bower and Hunt (1988), in an empirical study, found that manufacturing companies that made fast product development decisions, favoured teams over functional area departments in terms of human resources. Such organisations are described as using time as a critical performance measure, and they insist that everyone involved in the process learns about customers, competition, and the company's own operations, not just top management. This area constitutes a deficiency in the literature with respect to new financial service product development.

Piercy (1988), argues that organisations that practise internal marketing are more likely to understand their own strengths and

weaknesses at all management and operational levels. This type of dialogue with respect to new financial service product development, is also generally missing.

(7) people involved in NSPD with respect to financial services

The literature also exhibits a gap in terms of the management of NSPD in terms of people involved, their co-ordination, and how they manage boundaries with respect to other business functional areas. Although a literature exists in this area with respect to goods products, it is missing with respect to financial service products.

It can be argued that the way people within an organisation who are involved in NPD are organised is a formal representation of the extent of business functional area integration achieved. Likewise, the NSPD literature also exhibits a gap in this area with respect to financial services. In particular, there are no empirical studies that explicitly detail the nature of people involved in NPD, the tasks they perform and whether different types of NPD activity involve different people and inter-functional business area communication.

(8) improving the performance of new financial service product teams

The benefits of NPD teams have been discussed earlier with respect to both goods and service products in general. However, the literature does not explicitly discuss the concept within the context of financial service product development. The literature gives little insight into how financial service organisations

might be organised in terms of teams, and how they might operate at the business level with respect to operational tasks. In particular, it is difficult to extrapolate the nature of people who might be involved in NPD teams and whether the design of the team would change depending on the nature and type of NPD activity being undertaken. Similarly, the literature gives little insight in terms of how team members share information, particularly with respect to non team members. One of the major considerations discussed in this area, particularly with respect to goods product development, relates to NPD project leadership and product champions. However, in the case of financial service products, this area constitutes a further gap in the literature.

(9) human resource management in terms of generating NSPD skills and ownership

Given that the domain of the management and marketing of services lies beyond the traditional business functional boundaries of marketing, it is surprising that the NSPD literature does not explicitly address the human resource management implications. in particular with respect to the generation of NSPD internal competence co-ordination and the implementation of NSPD programmes. The NSPD literature and in particular, the financial services literature, exhibits a gap in this area particularly with respect to how organisations share and generate NSPD skills.

3.28 Individual Factors / Socio-cultural Differences

(10) organisational culture which favours NSPD activities

The literature exhibits a deficiency in terms of the number of

studies that discuss organisational culture and change with respect to NSPD activity, and financial service products in particular.

(11) NSPD socio-cultural differences

Given that many financial service product organisations exhibit a high mix of specialists and professional business functional areas, it is surprising that the literature does not discuss problems associated with socio-cultural differences and NSPD.

3.29 Perceived Need for Integration and Degree of Integration Achieved

(12) NSPD business functional area integration with respect to financial services

The NPD literature search clearly recognizes business functional area integration as a predicate for success with respect to goods products. The majority of analytical studies however, were involved with the relationship between research and development and marketing eg: (Gupta and Wilemon 1988) and the marketing interface with Finance eg: (Ratnatunga, Hooley and Pike 1989). It is surprising, given the importance of integration, that the literature does not contain studies of any substantial depth into the integration of other business functional areas, particularly with respect to NSPD implementation and financial service product development. It could also be argued that in the case of many financial service organisations which, as earlier discussed, often exhibit a centralised organisational structure with high levels of standardisation and formalisation, business functional area integration is going to demonstrate a number of distinctive problems which are currently not addressed in the literature.

3.30 NSPD Process

(13) NSPD practice and theory

The literature demonstrates that a substantial gap of knowledge still exists between practice and theory with respect to the NSPD process activities. It is also evident that this gap is substantially greater in the case of service products and, in particular, in the case of financial products operating in dynamic competitive environments.

(14) NSPD process activity models

The process activity models in the literature which attempt to describe the NSPD activities, (Johnson, Scheuing and Gaida 1986, Bower 1986, Donnelly, Berry and Thompson 1985), are not in complete agreement with the more recent empirical studies of Brentani (1990), Easingwood (1991), and Martin and Horne (1990). In particular, the literature exhibits a gap in the conceptual model which describes and deals with financial service. Only one model specifically addresses the financial services sector. Bower (1986), and Easingwood and Storey (1991), in an empirical study on financial services, conclude that a divergence exists between theory and practice in the current literature, in that although the literature on NSPD provides some useful findings, they may or may not be transferable unaltered to financial services. The literature is considered as generally not specific enough for use in NSPD with respect to financial services.

This deficiency in the NSPD literature is also discussed by Brentani (1990), Easingwood and Percival (1990), and Cooper and Brentani (1991), who advocate the need to research the use of

more formal process activities or stages to facilitate the building of quality into process execution with respect to NSPD. Cooper and Kleinschmidt (1986), found earlier that, although many managers in manufacturing industry profess to have a systematic process plan in place for product development, "an audit of what actually happens in the trenches reveals many gaps and deficiencies". Similarly, Easingwood and Storey (1989), observe that "what the literature prescribes and what most firms do are miles apart when it comes to new product process activities". Wind and Mahajan (1988), also support the calls for a re-examination of the entire new product development process activities. They argue that the process described in the literature required to develop new products is inadequate for many of today's NSPD challenges, citing in particular the changing and dynamic market environments at both the macro and micro level. Birnbaum (1989), also supports these arguments, observing that many process activity stages are often only superficially or weakly undertaken at best, and concludes that the present literature does not fully examine this aspect.

(15) Simultaneity of NSPD activities

The literature also exhibits a deficiency in terms of studies dealing with the simultaneity of the NSPD activities. Some of the studies indirectly refer to both sequential and parallel processing, but do not demonstrate the linkage with business functional area integration and service product success. Although the literature discusses to a greater or lesser extent the various process activities, it does not contain many studies

that specifically address simultaneity of the NSPD process, particularly with respect to financial services. Although business functional area integration has been examined with respect to a number of technical disciplines, particularly in goods product manufacturing, the market position is still being added on as an afterthought. In the case of financial services, this aspect represents a deficiency in the literature.

(16) NSPD variability

Given the special characteristics of service product variability, in that service products typically depend on input from the various company personnel for their service products, it is surprising that the literature does not explicitly address this area in more depth with respect to financial service products.

(17) acceleration of NSPD process

Patterson (1989), states "that to win today, an organisation must be simultaneously better, smarter and faster". The point of competitive focus is subsequently argued to be the decision time taken to introduce a new service product - the product development process. It is perhaps in this area of decision time that the literature lacks any depth of dialogue with respect to the product development process, and in particular financial services. Although the literature contains a number of analytical studies which discuss how manufacturing companies can accelerate new product process activities, (Gold 1987, Takeuchi and Nonaka 1986, Birnbaum 1989, Cooper 1988), it generally lacks empirical evidence, particularly as to which strategies work best

to given conditions, and with respect to types of goods products. The literature search showed no studies that examined these issues with respect to service products and in particular, financial service products.

(18) competitive advantage of prime movers and financial NSPD

Likewise, a gap exists in the literature relating to the competitive advantages of prime movers or pioneers, with respect to new financial NSPD activities.

(19) application of marketing management practices: financial NSPD

A number of writers in the NSPD literature, including Ennew, Wright and Watkins (1989) and Brentani(1990), bring attention to the general limited degree of sophistication of marketing in the financial services product sector. Surprisingly, the literature contains very few studies which give a real insight into the actual nature of marketing management practice within financial service organisations.

Chapter Four

A Theoretical Contribution

4.1 Introduction

This chapter presents a theoretical contribution as follows. Firstly, the chapter discusses further a number of aspects of the literature relating to deficiencies and gaps identified in Chapter Three, and thereby makes a contribution to the literature, leading to the identification of the research issues.

Secondly, the development of a new NSPD model for financial service products is considered, together with a framework and mechanism for process implementation.

The chapter begins by examining the NSPD process characteristics with respect to some of the salient issues that were identified in the literature review with respect to the existing normative models. The chapter then continues by discussing NSPD within the context of organisational structure and culture. This is then followed by a discussion on aspects of NSPD acceleration and

organisation design, including some perspectives on decision-making processes and internal competence co-ordination.

The chapter then proceeds to discuss the existing normative models which are used to describe the NSPD process, and the limitations of these models, particularly with respect to financial service products. A multi-disciplinary approach to NSPD is subsequently discussed. The chapter then proceeds to discuss the development of a new model for interactive new financial service product development. The model is then discussed within the context of the development of a conceptual framework for NSPD process implementation, and a proposed mechanism for implementation. Finally, the chapter concludes by bringing together a statement of the key research issues, and the main research hypothesis.

4.2 Process Characteristics

Although much has been written about new product development and in particular as it relates to tangible goods products, it is argued there still remain a number of gaps and deficiencies in the literature as previously identified, especially as it relates to service products.

It is also evident that although the recent literature demonstrates that goods and services are not dichotomous in terms of separate categories, but are continuous products which differ by degree, this understanding has not always been explicitly applied to the NPD process itself and subsequently articulated

in the literature. In other words, because of a lack of clarity of definition with respect to 'products' and 'services', the literature often fails to demonstrate fully the validity of some of the theoretical concepts and frameworks when applied to a continuum of products.

It is argued that many of the conceptual models used to describe NSPD seem to be in contradiction with the 'actual' industry and business practice. In other instances, a number of the theoretical models and conceptual frameworks often reflected a rather narrow scope or vision of the NSPD process, combined frequently with a narrowly defined definition of marketing within a business functional area.

In considering the suitability of the present NPD process models in facilitating the development of new services and in particular financial services, it is necessary to have an understanding both of the nature of processes and of the limitations of the NPD normative process.

A fundamental nature of services is that they are processes as against physical objects. Processes in general have been studied in a number of disciplines, for example engineering (Doyle 1969), operations management (Bolton 1988), computer programming (Curtis 1989), and decision theory (Kepner and Tregoe 1965), but have received little attention in the marketing literature.

Although the nomenclature and techniques relating to these processes differ, it is evident that they share the same basic

characteristics. Each of the processes describes a way by which the whole can be broken down into a number or series of logical steps and sequences, which in turn facilitate control and analysis. Similarly, each of the processes can be modified to give different outcomes, depending on the nature of management decisions taken, or by mere chance. Finally, each of the processes represent 'real time' phenomena, that, it can be argued, do not match exactly to any model or description, but function within a band or norm of some sort.

In the case of services, Levitt (1976), and Lovelock (1984), draw upon manufacturing process literature to describe the poles of the service product continuum as being either standardised, or customerised. A non-varying sequential process, in which each of the process steps is clearly delineated which results in uniform outcomes, is considered to be standardised. This process has many similarities with the mass production of goods. A customerised process relates to a process which has been modified or adapted to some extent, to meet the needs of an individual customer or customer group. Similarly, this term can also be applied to a mass production goods process, while in the case of service products, it is often associated with differences in service product quality.

A distillation of these process characteristics would suggest that processes can be examined from three positions, the first being according to the degree of complexity of the various sequences and steps that constitute the process. Secondly, the variability or divergence of those sequences and steps can be considered. Thirdly, an examination of the degree of deviation

from a given standard established for a particular process model with respect to both the first and second case above can be made. Consequently, service product process complexity can be defined by analysis of the number and intricacy of the steps or stages required to perform the service. The degree of freedom permissible or inherent in an individual process step or sequence is its process divergence. Hence a highly divergent service, could be regarded as one where most of the performance attributes of the process are unique. Similarly, a standard service process would exhibit a low degree of divergence.

It can therefore be argued that service products can be examined according to the extent of divergence and complexity they exhibit. However, in the case of service products these characteristics are not mutually exclusive, i.e. service products can involve processes that are high in complexity, low in divergence, or low in complexity and high in divergence and vice versa. Hence, processes relating to service products need to be considered as independent interactive systems and not simply as a series of steps and sequences.

New product development success with respect to the normative model can be determined by a number of related factors which include: the activities defined within the normative model, the quality of execution or implementation of those process activities and their completeness (Cooper and Kleinschmidt 1986).

4.3 NSPD Organisational Context: Structure

It is proposed that a key to understanding the new service product development process is an understanding of the

decision-making processes and the organisational context. The basis for this argument is developed from a broad conceptualisation of the marketing management process derived from a number of analytical and empirical studies relating to corporate culture, (Ohmae 1983, Parasuraman and Deshpande 1984, Saunders and Wong 1985, Ruekert, Wacker and Roering 1983, Piercy 1986, 1988, 1989, Piercy and Morgan 1989).

Although these studies were primarily focused on the implementation of marketing-led change at the strategic level and within a broad marketing management context, it is argued that the theoretical underpinning of these studies is also equally valid as a means of explanation for specific areas of marketing, such as new service product development.

Piercy (1988), in particular, strongly argues that the corporate environment not only underpins the implementation and tactics of marketing, what is often termed the 'doing', but also the perceptions with respect to the opportunities and threats facing an organisation. This in turn affects strategic choice and related problems such as bias and selectivity in strategic thinking which are certainly important areas and applicable to the consideration of NSPD.

A number of approaches are offered by the marketing literature which facilitate an understanding of the organisational context, (Lockett and Spear 1980). A form of contingency theory as previously discussed in (3.7) can be argued as providing a basis for a framework for analysis of an organisation's adaption to its

environment. In particular, contingency theory harmonises with a number of aspects of corporate strategy.

The contingency approach rests on the assumption that organisational characteristics have to be shaped to meet situational circumstances. Greenwood and Hinings (1967), argue that the extent to which an organisation secures a good fit between situational characteristics and structural characteristics will determine the level of organisational performance. Similarly, Child (1972) also argues within the context of contingency theory that the design of an effective organisation will depend on its ability to adopt or to cope with the 'contingencies' which derive from the circumstances of the environment in terms of its magnitude, technology, resources, and other factors in the situation in which an organisation is operating.

In the context of new service product development, it can be argued both at the strategic and business levels, that this approach supports the proposition that there is no one right form of organisational structure which facilitates the development of goods and service products. However, Bowey (1972) also argues within a contingency theory context that some approaches to organisational design are more conducive to high performance than others. This depends on whether the environment in which the organisation is operating is variable and complex in nature or stable and simple. Parallels from this literature, together with the theoretical underpinning resulting from empirical studies by Burns and Stalker (1961), provide a base for examining NSPD

organisational structures. Hence, a number of propositions relating to NSPD organisational structure can be drawn:

Proposition 1

Organisations that are developing new service products in corporate environments that could be described as variable and complex would be best suited to adopting an 'organic' type decentralised NSPD structure, with lateral communication channels (Stalker 1961).

Proposition 2

Conversely, organisations that are producing new goods or service products in corporate environments which could be characterised as stable and simple would be suited to relatively mechanistic NSPD organisational forms.

These two propositions lead to the development of four further propositions which take into consideration some aspects of the NSPD process activities and the changing organisational environment.

Proposition 3

Organisations whose markets and/or technology base with respect to new service products are subject to highly dynamic conditions, are more likely to perform better or satisfactorily, if they are organised in such a way as to encourage the formation of flexible, task-orientated NSPD process groups or teams. Likewise, such corporate environments necessitate flexible communication channels and an absence of formal operational rules.

Proposition 4

Organisations that propose to introduce new service products whose technology and markets are relatively stable, are more likely to achieve NSPD success if they adopt organic and hierarchical NSPD structures which exhibit predominantly vertical communication channels. Likewise, it could be further proposed, based on a contingency theory approach which explores the relationships of multiple corporate environments (Aiken and Hagen 1971, Lawrence and Lorsch 1969, Woodward 1965) that:

Proposition 5

Organisations which are pursuing essential reactive new service product development strategies in stable and well-understood environments are more likely to achieve NSPD success by adopting a relatively mechanistic NSPD organisation structure.

Proposition 6

Organisations that are pursuing a proactive new service product development strategy in dynamic and uncertain corporate environments, require to adopt a NSPD organisational structure which conforms much more closely to the organic ideal.

NSPD Corporate Environment	Complex	Organic Organisation	Hierarchical
	Simple	Mechanistic	Mechanistic

Dynamic

Stable

Markets and Technology

Figure 4.1 NSPD organisational structure

The conclusions that can be drawn from these propositions are not confined to the development of simply better NSPD marketing management, activities in terms of management attitude and behaviour, but also to organisations both at the strategic and business level. Organisations need to adopt the most suitable NSPD organisational design to put into operation new service product development. This means that organisations need to understand the nature of their current and future environment, and to match that position by adopting a congruent NSPD organisational structure (fig 4.1).

4.4 NSPD Organisational Context: Culture

The concept of organisational culture has recently received some considerable attention in the literature of organisation theory and even more recently, in marketing management, (Pascale and Athos 1981, Deal and Kennedy 1982, Peters and Waterman 1982, Carrol 1983, Saunders and Wong 1985, Piercy 1985, 1989), showing that an organisation's success is not only based on "hard"

factors like strategy, structure, or management systems but also very heavily depends on "soft" factors like skill, staff, or style.

The basic values shared by the members of an organisation seem to be a major influence on the possibility of implementation of marketing plans. It is argued, that senior managers in considering new service product development strategy, need to be concerned with the fit of NSPD strategies with the social norms of behaviour of the organisation, based on the dominating values of the organisation. Baker (1980), Gagliardi (1986) and Piercy (1987) argue within a broad marketing context that organisations may need to change their corporate culture to ensure market success.

The purpose of this section is not to examine the different theoretical perspectives of culture as it relates to organisations, but to discuss briefly some of the theoretical factors which affect the development of new service products.

As earlier discussed, the largest literature surrounds the concept of 'excellence' and the 'culture' of the excellent organisations. The different meanings associated with culture have been succinctly illustrated by Smircich (1983). The concept of culture can be applied to the study of organisations in several different ways, corporate culture and organisational symbolism being areas most relevant to marketing management with respect to NSPD.

In the latter case, organisation can be seen as patterns of symbolic discourse where culture is defined in terms of shared symbols and meanings; these shared symbols and meanings are considered important for interpreting symbolic action. As earlier argued, we can also view organisations as adaptive systems which can be explained by a form of contingency theory. In such an approach, culture can be viewed as an adaptive regulatory mechanism which helps unite individuals into the social structure of the organisation. Consequently, the conceptualisation of culture in the following discussion falls within Smircich's theme of corporate culture.

One of the prevailing strengths of the concept lies in its integrative nature. Chandler (1962), Galbraith and Nathanson (1978), argue that whenever market, competitive or technological changes in the environment exert pressures on an organisation, it will attempt to adapt to them by changes in its formal systems of goals, strategies and structure. The extent to which this process actually takes place in practice has been examined by Gagliardi (1986), and Muhlbacher, Vyslozil and Ritter (1987). They give evidence of the difficulties organisations face where the values and norms shared by its members, as well as their attitudes and expectations are not congruent with the revised socio-structural system. This it is argued results in severe dysfunctions in coping with change. Acknowledging this fact, the question arises, can corporate culture affect the development of new service product development at both the strategic and business levels. As earlier argued, the literature review gives

very little insight into this aspect.

In the case of organisations that are able to change their cultural identity over time, there seems to exist a kind of learning process which facilitates problem- solving with respect to external environment adaption and internal integration. This learning process is put into operation through an understanding of the relationship between goals (organisational dimension), norms (group dimension), and attitudes (individual dimension) as it relates to a particular organisation. Gagliardi (1986) and Handy (1984) point out that every marketing strategy which describes an organisation's goals needs a minimum level of shared values, delineated by a set of social norms that individuals and groups within an organisation need to follow in order that the strategy can be successfully implemented. Hence, it can be argued that the extent of cultural change necessitated by NSPD strategy will depend on the fit between existing and required norms of behaviour, that is the acceptance of the required norms by an organisation's staff. Hence, it could be argued that the more readily an organisation's staff are to shape their behaviour to new rules, the less the gap between cultures and the need for change both at a strategic and business level. The degree to which an organisation's staff are ready to shape their behaviour to the new rules can be conceptualised as the extent to which a marketing orientation permeates the whole organisation. Implicit in this orientation is the practice of internal marketing. Piercy and Morgan (1991), argue a strength of the internal marketing concept is as a means of providing a language for

analyzing an organisation's corporate culture, in terms of organisational power and political behaviour.

Corporate culture as a concept, gives rise to the choice of three management decisions with respect to NSPD strategy and implementation,

1. whether to devise and attempt to implement a new service product development strategy, irrespective of the existing organisational culture at the strategic and business levels or,
2. determine the nature of the present organisational culture, and as a consequence, implement a NSPD strategy that is consistent and congruent with that culture or,
3. firstly assess the current organisational culture, to determine the changes necessary in that culture, in order to ensure a fit with the desired NSPD strategy. Secondly, attempt to change the culture to close any gap.

It is argued that the first option favours a NSPD implementation approach where an organisation's environment is characterised as stable and simple. As the environment becomes more dynamic and complex, then the second option becomes more suitable. However, in the case of financial services where the environment is often characterised as dynamic and complex, it is argued that it is necessary to ensure a corresponding fit between desired NSPD strategy, and organisation culture. In this latter case, the third option would normally be argued to be a better route for new service product development success.

Consequently, it can be argued that an organisation's culture can act as a barrier to effective NSPD implementation. However, Wilkins and Ouchi (1983), point out that changing organisational culture can also involve a risk of destroying a culture which is organisationally efficient in the achievement of other corporate objectives. Hence, the higher the adaptability of an organisation's culture, the less the risks involved in attempting to change the culture to implement NSPD strategy. The adaptability of an organisational culture is related to the extent to which it practises internal marketing. Measurement of the degree of organisational culture change necessary, at both the strategic and business level, together with the adaptability of the existing cultures, can help in defining NSPD strategy. Similarly it can be argued that an organisational culture needs to take into account the development of any NSPD process model.

4.5 Role of Information Technology

Information technology, as earlier discussed in Chapter Two, has an extremely important role to play in the development of new financial service products. Information technology replaces in many instances, the physical presence of serving the customer, for example, in the case of automated teller machines (ATM's), (Brown, Hayes and Sauders 1989).

Enabling technology needs to be considered as an integral part of financial service NSPD activity. It also facilitates definition of an organisation's NSPD capability. The implementation of enabling technology has been formalised by the

majority of financial service organisations in terms of information systems architecture (ISA). Architecture provides a consistent methodology by which technology planners and operational business functional area members can work together towards the achievement of common goals. It is argued (Steiner and Teixeira 1990), that architecture should be driven primarily by business objectives. In the case of new financial service product development, it would necessitate business functional area specialists involved with NSPD, working with technologists on the construction of the architecture.

The architecture would also facilitate a better definition of the operational skills needed by the organisation to meet changing NSPD in terms of internal competence co-ordination and technology. It can be characterised as an information enabling technology set. Figure 4.2 outlines the formation of such an information set which is derived from an assessment of technology, business and NSPD needs.

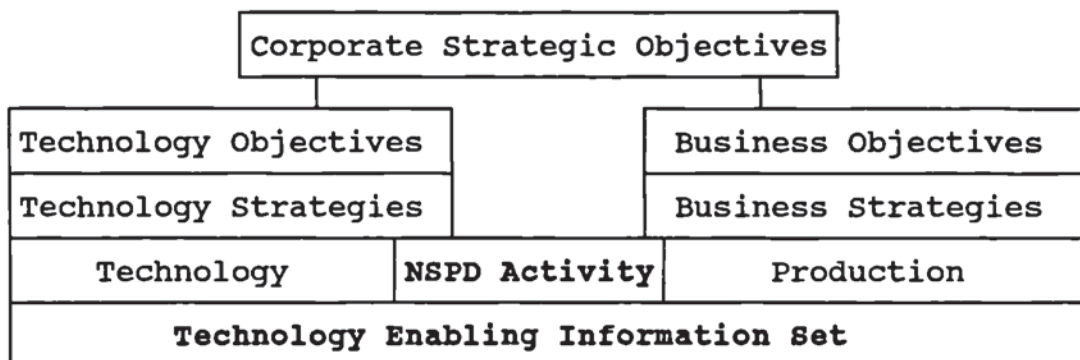


Figure 4.2 Formation of technology information enabling set

4.6 NSPD Acceleration and Organisational Design

Many organisations are beginning to sense the need for speed in many aspects of their NSPD activities, including both the

procedural process activities and the management decision-making process. The rate of product obsolescence is accelerating in many industries, in particular consumer goods, high technology products and some financial service products. The shortening of product life cycle has been the subject of a number of academic studies, (Qualls, Olshavsky and Michaels 1981, Guverity 1983, Schnaars 1986, Ward, Skikan and Neal 1989, Braun 1991), which give evidence of the consequences of the failure to respond. Similarly, the 'speeding up' of new service product development has also recently received some attention in the marketing and NPD literatures. However, the literature review shows such studies have been limited to manufactured goods and mainly those involving high technology products. The NPD literature as previously discussed, demonstrated a gap in this area as it relates to new service product development, and in particular, new financial services. However, it can be argued that a number of areas that relate to the acceleration of NPD with respect to goods products can also be translated or extended into the service product sector.

The key issues that arise from this aspect of the literature with respect to service product development are:

- * timely execution of new service product development activities is critical to new service product development success
- * organisational structure, where organisations have significantly reduced NSPD time, tend to have different organisational structures for NSPD than competitors who have not focused on time

- * similarly, such organisations tend to plan for comparatively smaller or more incremental NSPD projects in size than the industry norm, but they also tend to introduce new service products more frequently.

4.7 New Service Product Development Decision Process

Although, as previously discussed the NSPD literature gives some indication for the need to accelerate the new service product development process, it does not address the related area of decision-making. In fact, the NPD literature, as earlier discussed revealed no significant empirical and analytical research on this topic. Likewise, as previously discussed, the NSPD literature identifies to some extent the changing and dynamic organisational environments as they affect NSPD, but similarly gives little insight into the relationship between this area and decision-making.

It can be argued that the tumult of technological changes particularly in financial services, and increasing consumer sophistication places a premium on rapid NSPD decision-making. As the difficulties and uncertainty associated with information inputs, with respect to new service product development and in particular financial products are increasing, the greater the importance on fast strategic decision-making. These are still further increased by the pressure to develop more new service products faster for competitive reasons.

From the business and management literature, three perspectives of how rapid NSPD strategic decisions are achieved can be drawn

within the general context of business organisations.

Some early work in the area of management decision-making with respect to speed, was carried out by Mintzberg (1973), and Nutt (1976). They concluded that quick management decision-making results from the consideration of fewer decision alternatives, together with the use of limited information or data and its subsequent analysis. Janis (1982), supports the basis of these propositions and discusses management decision speed as being linked to the extent to which an organisation attempts to be exhaustive, in terms of making or integrating decisions. The more the organisation's decision-makers undertake either of these two activities, the slower, it is argued, the decision speed. Similarly, Fredrickson and Mitchell (1984), give a perspective of management decision speed being linked to the design of the management business tasks. In other words, business process procedural complexity slows decision-making. In a related study, Schweiger, Sandberg and Ragan (1986), argue that extensive analysis of management information is likely to slow the pace of management decision-making.

A second area of decision speed study relates to the participants involved in the decision process. Organisational conflict is cited as being associated with a lower management decision speed. Mintzberg, Raisinghani, and Theoret (1976), in an empirical investigation on management decisions, identified organisational disagreements as a prime cause of decision interruption, which in turn slows down decision speed. Similarly, in a later study,

Hickson (1986), and Eisenhardt (1988), identified political organisational conflict as being associated with slow strategic decision-making.

The third area of studies examining decision speed, focuses on the actual number of participants involved in the management decision process and the centralisation of power within the organisation. An early study by Vroom and Yetton (1973), discusses the need for an autocratic management style and for powerful leadership to ensure fast strategic decision-making. The number of participants involved in the decision-making process, was the basis of a study by March and Olsen (1976), who argue that decision time increases with increases in the number of participants involved in the process. In a related but later study, Staw, Sandelands and Dutton (1981), and Eisenhardt (1988), argue that there exists a linkage between a reduction in perceived environmental uncertainty and a centralisation of organisational power with decision-making speed. From these perspectives, the determinants of fast strategic decision-making may include:

- * number of participants involved in the decision process
- * management style
- * nature of organisational power or influence
- * complexity of the management information process
- * degree of management group conflict.

A synthesis of these studies would suggest that fast strategic

decisions are determined through a less than thorough management process, involving both limited information and analysis, and with few participants involved in the decision process, together with the avoidance of organisation conflict and interaction.

It is evident from the literature that not only is the speed of NSPD decision-making important, but also the quality of those decisions. Marketing management literature has long argued a strong case for decisions to be based on good information. However, the development of new service products and in particular, financial services in often complex, dynamic and unstable environments, results in a substantial number of information sets. These sets relate to the inaccuracy, unavailability, uncertainty and obsolescence of data, arising from rapid and often discontinuous changes in consumer demand, competition and technology. The implications of these arguments, as they relate to NSPD, is that management needs more and better information in order to make quality decisions. However, such conclusions would seem to be in contradiction with extant knowledge with respect to making fast strategic decisions.

These conclusions suggest that the extant views on how managers make rapid strategic decisions in dynamic and complex environments may inaccurately describe the NSPD process, particularly as it relates to financial products.

4.8 NSPD Internal Competence Co-ordination

The main distinguishing feature which separates the operational production of goods and services products is the role and

importance of information. A number of parallels can be drawn between the first phases of the Industrial Revolution of the late nineteenth century, and the emerging Service Revolution of the late twentieth century (Barras 1985). The most important common factor is the development of enabling technology, and in the latter case, there is almost universal agreement that this is information technology, (Jones 1987, Cooke 1986). Through the application of information technology, a similar process of industrialisation experienced with goods products is now beginning amongst service organisations. Barras (1986), strongly argues within the context of information technology, that the financial service sector of the service industries is in the vanguard position.

In Chapter Three, pp 85, it was argued that the NPD process can be considered as an information assembly line, and similarities were subsequently drawn between NPD and a goods product manufacturing process. The manufacturing process starts with raw input like the NPD process, which can be likened to information in a relatively rough or raw form. The information, like the manufacturing process, goes through a series of steps that add value to it, which include the addition of more information that bears on the original input, adding more value. As the NPD process continues, an information package is built that describes a new solution to a customer need. When the information package is complete the NPD process can be regarded as finished. The output of the process is customer contact.

In the simplest sense, information technology refers to the process by which inputs are transformed into outputs. Dyerson and

Roper (1990), characterise technology as a process within an organisation which brings together diverse and complex kinds of knowledge and information.

Formal and tacit knowledge are subsequently identified as providing a mechanism for co-ordinating the incremental building of skills and experience necessary for fostering successful organisational procedures within an organisation. Theories of learning and management development within organisations are well documented in a substantial literature, particularly with respect to the differences between tacit and formal knowledge. Formal knowledge is characterised as mainly a mixture of business and technical knowledge such as systems methodologies and project management techniques. Tacit knowledge, relates to the past and is mainly organisational business knowledge, such as operations management and an understanding of the market. A number of themes permeate the literature. Penrose (1959), argues that a key to internal organisational growth is obtained through the experience of working together and through this process, organisational members can attain competencies that could not be bought in, and which competitors could not easily appropriate. Similarly, Nelson and Winter (1982), reinforce this proposition and comment that experience-based knowledge lies submerged in the organisation's routines of ways of doing things. These are defined as the innumerable individual skilled organisational performances. A third form of learning, which combines tacit and formal knowledge into an organisation's routine is proposed. This routine is termed 'know-how', or internal competence co-ordination, and permits the functioning of other routines,

(figure 4.3). It is subsequently argued that 'know-how' is a skill that needs to be learnt and fostered in both functional and hierarchical relationships.



Figure 4.3 Internal competence co-ordination
Source: Nelson and Winter (1982)

The NGPD literature contains evidence of a number of studies relating to new product development and internal organisational competence. Project SAPPHO, (Rothwell et al 1974), (3.12.1), for instance, found that successful technology organisations tended to have a better understanding of user needs than less successful competitors, and generally possessed project managers with cross-functional business experience. Similarly, Cooper and Kleinschmidt (1986), (1990), Easingwood and Mahajan (1989), in some empirical studies, make similar observations. Rumelt (1984), comments that the build up of "distinctive competencies" is dependent in part on the skill base of the organisation.

It is argued that 'know how' or internal organisational competence also characterises a linking process necessary in NSPD. It acts as a common thread joining the various business function areas. In addition, it can be regarded as a measure of the extent to which an organisation is successful in adopting the heterogeneous skills which technology demands and the tacit

knowledge skills of the organisation, defined in both operational and customer benefit terms. It is argued that a determinant of an organisation's ability to develop new financial service products depends on its ability to turn integrated business functional area expertise into internal competence' know how'. Parasuraman, Zeithaml and Berry (1985), argued that the organisational, market and technological conditions which support new service product development cannot be treated in isolation but each interacts with the other. This in turn will result in feedback which either stimulates or inhibits the NSPD process within an organisation.

4.9 Normative Models

As previously identified in the literature review, the majority of new product development models specifically relate to goods products. In fact, the literature review identified only four new service product development models of which only one model considered financial service products. One of the earliest NPD models which implicitly considered mainly goods products, consisted of six process steps, or activities:

Idea Generation, Screening and Evaluation, Business Analysis, Product Development, Testing and finally, Commercialisation (Booz Allen 1976). The model was subsequently modified by the addition of an explicit new product strategy stage (Booz, Allen and Hamilton 1982). As shown in Figure 4.4, the product strategy stage became the first stage in the model and was intended to provide both a focus for NGPD idea generation and a linkage with corporate and marketing strategic objectives. It attempts to

define explicitly the strategic business requirements that a new product is required to satisfy, thereby linking the new goods product process to company objectives. Similarly, the stage facilitated a definition of the level of new goods product development activity within the organisation. The remaining six stages articulated the procedural NGPD business activities. This NGPD model, it is argued, has formed the basis of all subsequent models although it has been modified by a number of writers, Rothwell (1972), Shostack (1982), Crawford (1983), Cooper (1984). More recently, the model has been modified in an attempt to characterise new service product development, (Donnelly, Berry and Thompson 1985, Johnson, Scheuing and Gaida 1986 and Bowers 1986.

Booz, Allen & Hamilton 1982	
New product strategy development	↓
Idea generation	↓
Screening and evaluation	↓
Business analysis	↓
Development	↓
Testing	↓
Commercialisation	

Figure 4.4 New goods product model

This is shown in figure 4.5. All these models conceptualise the new service product development process as a sequential set of discrete business functional area activities, which differ by

degrees of sophistication, with each activity following in a logical and rational order. A more detailed service product model consisting of fifteen step sequences or steps of activities has been developed by Scheuring and Johnson (1989), and is shown in figure 4.6.

Donnelly, Berry and Thompson (1985)	Johnson, Scheuing & Gaida (1986)	Bowers (1986)
Strategic guidelines	Strategy formulation	Develop a business strategy
↓	↓	Develop a service strategy ↓
Explanation ↓	Idea generation ↓	Idea generation ↓
Screening ↓		Concept development and evaluation ↓
Comprehensive Analysis ↓	Analysis ↓	Business analysis
Development and testing ↓	Service design and process development ↓	Service development & evaluation ↓
↓	Testing ↓	Market testing ↓
Introduction	Introduction	Commercialisation

Figure 4.5 New service product development models

Overall, the NSPD process itself is seen in the literature to be inherently long and complex, involving the completion of a variety of tasks by many business functional area specialists. Within each stage of the NSPD process, business activities or tasks may often be carried out by different business functional areas that are often pursuing divergent and competing

organisational objectives. Similarly, as earlier identified in a number of studies, (Cooper and Kleinschmidt 1986, Johne and Snelson 1988), many organisations when carrying out NPD often leapfrog particular NGPD/NSPD stages or partially omit others. These aspects of new service product development are not explicitly recognized in recent NSPD process models.



**Figure 4.6 New product development model
(Scheuing and Johnson 1989)**

4.10 Limitation of Existing Normative Models

In essence, it can be argued that the NSPD process models are in fact sophisticated lists of business activities that an organisation should ideally undertake when developing new service products in order to reduce the risk of commercial failure. It can also be argued that the process models are both too general in nature, and often narrow in scope, and fail to demonstrate and discuss process divergence. As a consequence, the normative models do not easily facilitate translation into guidance for managers and new service product project teams. Similarly, the NGPD process models do not describe new service products and financial services where many of the NSPD process business activities are different in terms of the nature of the task, their importance and the time required to complete the activity relative to the development of goods products.

It is argued that the differences between service products and goods products as discussed in (3.14) also impact on the development of new service products. These differences have not been fully taken into account in the existing NSPD process models and give rise to the following enumeration:

Inputs: In the production of service products, the dependence on the customer is more significant than in the goods product production process and as a consequence this gives rise to uncertainty about the production process inputs.

Throughput: Consumption and production of a service product takes place simultaneously. This results in contact taking place between the customer and an employee of the service product

producer.

output: A service product is intangible - Berry (1980), describes them in terms of "a deed, a performance, and a supplied effort". The service product is also interactive, in that it is composed of activities performed by both the consumer and the service organisation.

In other words, a service product is abstract and variable, bound to certain places and times, and in which the customers are involved in the production process. It is argued that because of the direct contact between the customer and the organisation, the development of new or modified existing service products requires a high degree of process operational efficiency. Wilderson (1991), in fact argues that the customer should be regarded as a partial employee of the organisation.

A number of researchers, Chase (1978), Buffa (1980), and Sullivan (1984), have commented on the need for a holistic approach to operations management in the development of service products, which also includes behavioural aspects of both the customer and the service organisation employee.

A number of writers, (Peters and Waterman 1982, Booz, Allen and Hamilton 1982) conclude that a determinant of NPD success is attention to detail. However, the literature tends to suggest that attention to detail and NPD success, are linked almost exclusively with the proficiency of a disciplined sequential process which necessitates completion step by step.

A limitation of many of the research study findings can be drawn from the population sample used in terms of the type of

organisations studied, which have tended to be taken from industrial and consumer goods manufacturers. Consequently, it is argued that it may be imprudent to directly generalise the validity of the results of many of these studies with respect to service products and specifically to financial service products which may operate with different internal and external environments.

It can also be argued that the NGPD and NSPD process models were designed with respect to original 'new' products and services. Yet, in the majority of cases, new service products are really extensions of existing service products. In the case of service products, the empirical research suggests that because of the intangibility aspect of a service product, they are generally developed much more easily and more quickly than goods products, (Shostack 1982, Berry 1980, Brentani 1990, Easingwood 1986).

In many instances, the development or design of a new service product, be it completely new or a service product extension, does not necessitate the production of physical prototypes, patent applications or major investments in raw materials, plant or equipment often typical of goods products. This may also tend to explain why new service product development for many organisations is a relatively informal process. The development of goods products is often characterised as infrequent whereas in the case of new service products it tends to evolve over time in response to changes in customer needs or competitive offerings, (Rushton and Carson 1985, Dwyer and Mellor 1991, Brentani 1990). Similarly, the literature cites examples of

specific customers as being the impetus for an organisation to develop or change a service product offering, (Gummesson 1981, Jackson and Cooper 1988, Lynn 1987). In the case of goods products, historically this has often come about from spare production capacity and product management orientation. However, it can be argued that any change in the service product offering from a customer's perspective will in effect constitute a new service product .

Organisations producing service products that are able to respond quickly to changing customer or client needs, are more likely to do so by adapting a strategy necessitating service product modification or augmentation to an existing service product offering as against the development of a completely new service product. However, as earlier argued the existing NSPD process models do not differentiate between the development of original new service products, and the modifications or extensions of existing service products, but conceptualise both as the same. Similarly, the NSPD process models do not conceptualise or demonstrate the complexity and nature of the process in consideration of a change in emphasis from the goods - service product domain along the product compendium. Even the simplest service product can be seen as a complex process, involving many operations, experiences, outcomes and customer perceptions. The simultaneity of service products is, in particular, not fully recognized or demonstrated in existing NSPD process models.

The customer often has direct contact with an organisation's service operational process. Hence, customer satisfaction needs

to be seen to be linked both to outcome of the service and to the process by which it is produced and delivered, (Gronroos 1982, 1990, Easingwood and Arnott 1991, Brown, Hayes and Saunders 1989). In the case of goods products, the relationship between the actual physical production of the product and its subsequent distribution is substantially less important in terms of the extent it can influence the perceptions of the end user or consumer with respect to product satisfaction. However, in the case of service products, this it can be argued, is a critical factor in the design of successful new service products, and consequently this influences the NSPD process.

The existing NSPD process models also fail to demonstrate the need for a wider and active involvement of different business functional area specialists compared to the development of goods products. To a certain extent, the NSPD process models implicitly focus on the production /operational characteristics of a new service product, with less attention directed on market needs.

Both the NGPD and NSPD process models also give little insight into the manner and the sequences by which NPD process decisions are made. Although some recent literature written mainly by practitioners describes a NGPD process involving an overlapping of the former stages, (particularly in engineering and high technology business areas), this has not been reflected in the academic conceptualisations of the NSPD process.

Both the present NGPD and NSPD process models, conceptualise and stereotype the business functional areas as specialist segments, for example in the case of goods products, R & D engineers managing the design aspects, with production engineers implementing the design prototypes. Accountants are responsible for business analysis with the marketing functional area exploring the validity of the new product, regarding customer needs and perceptions. Similarly, other specialist business functional areas participate at the appropriate stage and tend to operate only within their designated area of responsibility.

4.11 A Multi-Disciplinary Approach to NSPD

In the case of service products as earlier discussed, the complex mix of service product intangibles demands a more integrated approach to NSPD. Although areas of the recent literature demonstrate the adoption of a more integrated and multi-disciplinary approach to developing goods products, as previously stated, there is no such corresponding literature relating to service products and in particular, to financial services. Likewise, the NSPD models do not reflect current professional practice in this area.

An holistic approach to NGPD within the context of high technology and engineering product goods is however, discussed in the literature as likening the actual implementation of the various business activities to a "rugby game", whilst describing the existing NGPD process as alike to a 'relay race'. However,

the majority of studies which describe an holistic or multi-disciplinary type approach to NGPD are based mainly on anecdotal and analytical evidence, with only a few empirical studies based on US and Japanese experience, and do not include service products. These studies however, do not discuss the implications of a multi-disciplinary approach to the development of new service products, and in particular financial service products. A key conclusion that can be drawn from these studies, is that the NSPD process model needs to reflect to a much greater extent the organisation of people and not just solely the specific procedural business tasks, that chart the activities that should or must be undertaken as a service products moves from the idea stage to product launch and commercialisation.

Business area integration and the organisation of people, is seen as a predicate for success with respect to goods products. However, the NSPD models as earlier indicated, do not explicitly address this issue, and in particular, as it relates to financial services. To a certain extent, the existing NSPD models characterise a notion of rational management decision-making within clearly defined business functional areas. This, as earlier discussed, is conceptualised as a sequential set of discrete decision areas which constitute the components of the NSPD model. As a result, the existing NSPD models exhibit a number of organisational problems which reduce the effectiveness and efficiency of the model in terms of its usefulness to practitioners. There is a tendency for different business functional areas involved in NSPD to conceptualise their

involvement as often being of more importance than that of other business functional areas. As a consequence, they sometimes act or behave in a manner to influence or coerce other participants to adjust their planning. This, it is argued, leads to disputes about competence where different business functional areas interface, and increases the possibility of time delay.

New goods/service product development success in many instances is often accidental, and depends on the extent of co-operation between various business functional area specialists, (Vracking, 1990). The existing NSPD and NGPD models conceptualise individuals or business functional areas, in making plans, the results of which are passed to the next in the process link. In many ways, the process is unchanging. The NSPD process may well be dominated by a stronger functional area, be it either political or physical size, which can reduce the effectiveness of the process. Consequently, it can further be argued, the existing NSPD models describe an unpredictable process which although it may yield results regularly, is also liable to be subject to substantial time delays. The adoption of an holistic or multidisciplinary approach to NSPD, it is argued, overcomes many of the weaknesses of the existing sequential models. The core to the holistic approach, is a change in organisational design away from a concentration on specialist functional areas, to the development of multi-functional teams. Bertsch and Williams (1987), Takeuchi and Nonaka (1986), Rosenau (1989) and Thamhain (1990), identified that the binding of multi-functional business area teams with respect to new goods product development

is achieved by a number of factors, including the acceptance of common targets of achievement or output, within defined and agreed project completion time periods.

In practical terms, the holistic or multi-disciplinary process requires the business functional areas involved in NSPD, to pass on ideas or information to other members of the project team, including other business function areas. This necessitates business functional areas being able to stand back, consolidate and analyze their present position with respect to the new service product development project and to adapt rapidly in terms of a new response arising from new information inflows.

In contrast, the existing NSPD process again as earlier discussed, can be conceptualised as a set of highly structured stages or steps involving specialist business function areas. The holistic approach requires a consensus or common agreement of purpose and a high degree of interaction and integration between the various traditional business functional areas.

The determinants of NSPD success have traditionally been focused on the qualities of the individual, who is often regarded as the crucial element or component in the NSPD process, and not on the means of integration of those individuals into a team. The inter-functional literature generally consists of the exhortations on achievements of inter-functional co-ordination, and of its importance within the wider scope of an organisation, in terms of its business activities. However, it fails both in terms of NGPD and NSPD, to give a theoretical model or framework which

demonstrates an implementation strategy which is valid for both goods products, and service products. Organisations that are able to rapidly integrate the perspectives and needs of both its potential customers and those members of the organisation involved in NSPD, are also it is argued better able to respond quickly to dynamic forces in the corporate environment. A facilitating mechanism by which this process can be achieved for NSPD is proposed and represented by the framework shown in Fig. 4.10 . In particular, the framework attempts to provide an insight into some of the organisational and procedural problems in attempting to explain the gap between the need for integration with respect to the business functional areas, and the marketing interface, and the integration currently achieved. However, the framework does not explicitly address other facilitating mechanisms identified in the literature for integration, such as communication and reward systems. The proposed framework focuses not upon attributes of the NSPD procedures, but on the integration of the business functional areas.

4.12 A Model for Interactive New Financial Service Product Development

It is proposed that the new NSPD process model, as shown in figure 4.7, provides a conceptual understanding of NSPD, which overcomes some of the deficiencies identified in the literature review (3.23) and the existing NSPD models (4.6)(4.4). It is argued that the proposed model will enable practitioners to develop a better understanding of the nature and key characteristics of the NSPD process with respect to financial

services and the various business activities which are associated with the process.

From the previous discussions, it is evident that the various forces of organisational, environmental, customer-market and the enabling technology, which favour new financial service product development cannot be treated in isolation. Each of these forces as previously discussed, impacts with the other, which results in feed-back either stimulating or inhibiting new service product development.

The model incorporates these forces as four information sets. These are the customer market information set (4.5), (2.8), the organisational structure and culture set (3.9), (4.3) and (4.4), the marketing environment set, and the enabling technology process set. As previously argued and demonstrated in the literature, each of these information sets is changing continuously, resulting in an organisation having both imperfect information and uncertain expectations about these changes. An example of this would be how its competitors in the financial service industry are reacting to these forces or changes.

Organisations must therefore operate in uncertain and changing environments (2.7), (3.17), matching their NSPD operational internal competence co-ordination or "know-how" with their perceptions of evolving needs and demands of their service product markets. At the same time, financial service organisations need to take into consideration in their NSPD activities the actions and market position of competitors, and the opportunities and constraints presented by the changing organisational context, (4.4), in which the industry operates.

This continuous process of adaption, it is argued, suggests that both the 'demand' pull factors stressed by Brentani (1990), Cooper (1988), Dwyer (1991), Easingwood and Storey (1991), Zeithaml, Parasuraman and Berry (1985), and the technology enabling push factors suggested by Cooke (1986), Barras(1985), Jones (1987), and Willman and Cowan (1984), are important influences on the NSPD.

In essence, the parameters of the proposed model are a synthesis and distillation of existing analytical and empirical research studies which describe both goods and services product. The model also includes conceptualisation of the development of existing service products as service product extension strategies, and the concept of service product bundling, (Eppen, Hanson, and Martin 1991).

The first part of the model characterises the various information inputs. The first information input is an organisational set, which defines the desire and stimulus for new service product development, the strategic direction and scope of the service products and markets the organisation wishes to serve. The second information set describes the external marketing environment and the inner organisational environment described in terms of organisational structure and culture (4.3) and (4.4). The third information set defines the customer-market stimulus in terms of customer expectations and service dimensions, (Parasuraman, Berry and Zeithaml 1991). The fourth information set describes the enabling technology impacting on the organisation.

The first stage of the NSPD model for financial services can be

termed as an incremental new service product development: efficiency phase, which incorporates two or more levels of internal competence co-ordination or "know-how". The first level of internal competence co-ordination describes the base level of tacit and formal knowledge with respect to NSPD of the organisational participants, and defines operational and business functional area skills, and organisational routines. This position is characterised by relatively low levels of organisational "know-how," and a lack of organisational mechanisms for integrating operational and business functional area skills. Internal competence co-ordination, level two describes a change in the level of NSPD organisational "know-how" resulting from a collective response of individual organisational members in correctly interpreting, and responding to information inputs and stimuli. The first phase or stage of the model describes new service product development efficiency. It is characterised by an improvement in the production operational efficiency of the existing service product portfolio. This phase encompasses operational cost efficiency NSPD programmes relating to incremental process innovations that define the routine tasks which constitute the service products. The result of this phase on the actual service product offering is characterised as small. However, it can be argued that any change great or small in the service product offering from a customer perspective will, in effect, constitute a new service product. It is argued, that since financial service organisations are invariably offering bundles of service products, the cumulative effect of this NSPD efficiency phase will also impact on both the number, and types

of information outputs, and customer interactions. This is characterised also by an incremental change in the level of organisational internal competence co-ordination or "know how" with respect to NSPD. This change in NSPD skills defines Level Three, internal competence co-ordination, which is also influenced by the learning experience arising from the interactive nature of new service product outputs - new service product enhancements.

The second phase or stage of the model can be described as an incremental new service product development,- improvement phase. This phase is characterised in terms of changes in the service product quality benefits arising from a consolidation of changes in the level of internal competence co-ordination or "know-how", characterised as Level Three, and is reflected in terms of operational effectiveness. The NSPD improvement phase facilitates an increased capability of the organisation to process new NSPD information inputs, and also defines Level Four, internal competence co-ordination. This phase characterises a significant improvement in customer service product levels, and the further development of existing service products, together with a better recognition of customer service product needs. The fourth level of internal competence co-ordination or "know-how," is also influenced by the interaction with the new service product output and represents the development of significant core

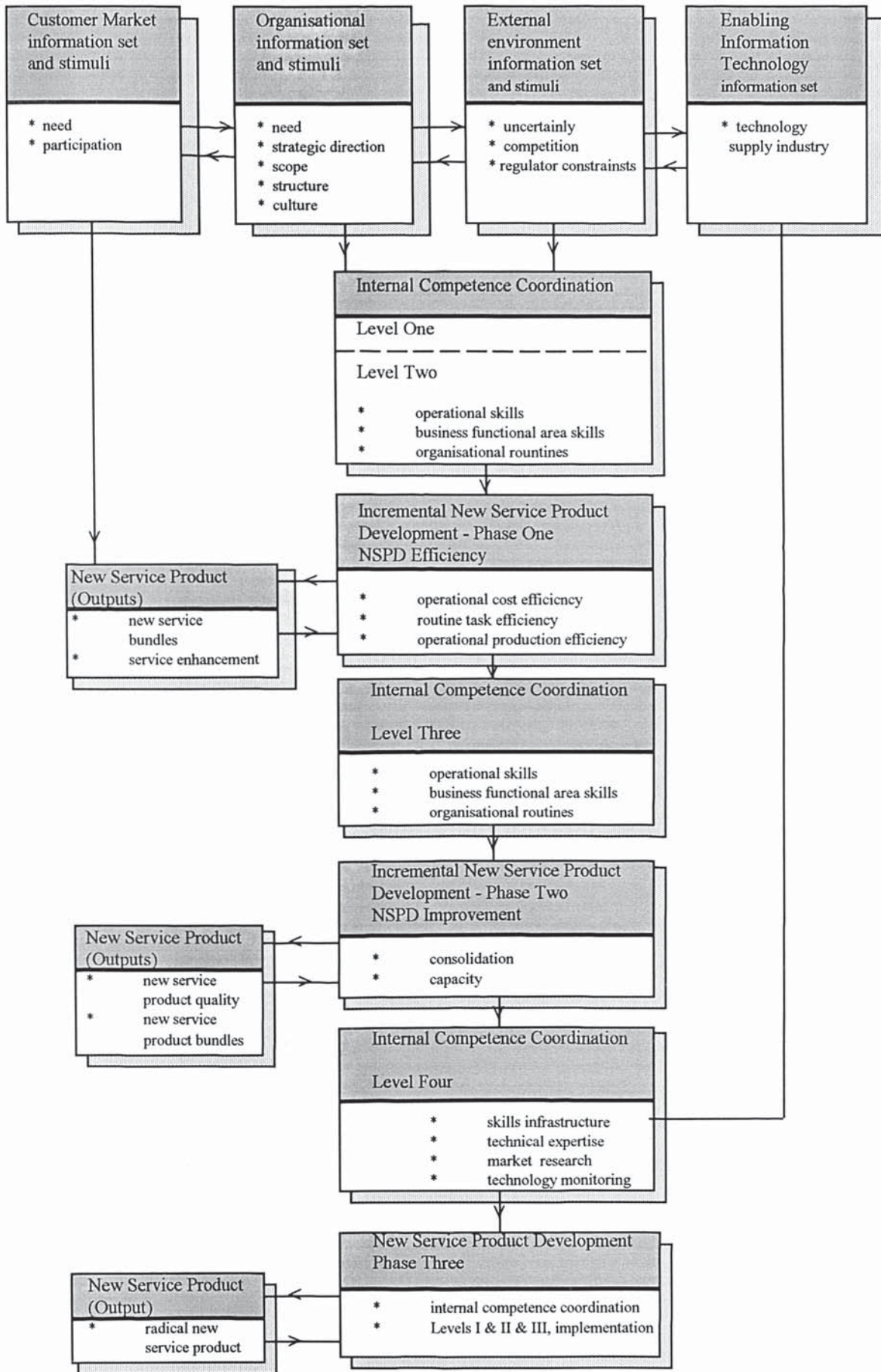


Fig 4.7 A Model For Interactive New Financial Service Product Development

or base of NSPD management skills, grouped around an integrated information technology interface. The development of an explicit infrastructure for the transfer of skills would be a clear identifiable characteristic of this fourth level.

The third and final NSPD phase, represents the development of radical new service product offerings. It involves an increased level of technology monitoring and market research, in order that the organisation can better appreciate its changing customer/market needs, and the technological possibilities. This phase may well necessitate substantial changes in enabling technology, and in the efficient implementation of internal competence co-ordination. In the case of financial service organisations such as banks, such new service product development may result in a change from handling money to handling information about money for both their corporate and personal customers. The actual design of systems to support each of the phases will depend on the organisation's knowledge, and understanding of its business processes and of its customers.

4.13 NSPD Implementation - Internal Competence Co-ordination

The implementation of the new product development process is a major problem facing organisations and in particular, service product organisations. In many instances, it can be argued that the roots of failure can be traced to implementation failure. Poor implementation brings the entire NSPD process into disrepute. Invariably, it is the people in the organisation and

the business functional areas involved with NSPD that create the actual NPD process, and not the process, that is the fundamental cause.

However, it can be further argued that the NSPD process design itself needs to facilitate implementation. Empirical studies give evidence that many large organisations have recently invested considerable resources in "sharpening up" their NPD procedures. However, it is considered that many of these resources are in fact wasted if implementation fails. The expectations of senior managers often tacitly assume, that as NSPD process operational procedures become more sophisticated in terms of business functional activities, or as existing process stages are more efficiently carried out, then NSPD success can be more easily assured. Implicit in this thinking is that the management implementation process will naturally follow, ie. increases in NSPD business functional area activities will be automatically matched by corresponding increases in ability by NSPD participants to execute those procedures by attaining higher levels of internal competence co-ordination. However, the NSPD literature and the marketing literature in general, give little evidence that this actually occurs.

The relationship between NSPD internal competence co-ordination or 'know-how' and NSPD process implementation can be illustrated by a matrix of four scenario positions, as shown in Fig 4.8.

4.13.1 Scenario One: NSPD Losers

Scenario One: characterises the types of service product organisations that undertake NSPD activity, fairly frequently

in order to meet corporate and marketing objectives. The NSPD activity at the idea generation stage invariably involves senior managers. There is frequently an element of adventure for managers in this stage of the project. However, enthusiasm for the project is often short-lived (Thamhain 1990), with responsibility often subsequently delegated to one or more business functional areas, none of which have any real authority or additional resources to undertake the task. In other instances, (Urban and Hauser 1980), the NSPD project is divided into segments with responsibility given to the relevant business functional areas, with the head of each functional group responsible for their segment of the project. In practice, business functional area managers often subsequently delegate their responsibility for the NSPD, to a more junior member of the business area.

The extent to which NSPD process activities are completed, also depends on the recognition by business functional areas of their NSPD task responsibilities, and the extent to which these tasks compete with other tasks of an operational nature with short time objectives and horizons. The communication process is often typically, very formalised between business functional areas, and within a strict hierarchical structure. A common problem with this type of organisation with respect to NSPD is often its lack of appropriate information and technical skills. The level of internal competence co-ordination, or "know-how" of the NSPD participants is often very low. Likewise, ownership of the NSPD project within the organisation is limited to segment or business area functional responsibilities. The project is frequently

commenced without a sound infrastructure to ensure that its participants can acquire and transfer the necessary skills to other members of the organisation to facilitate project management.

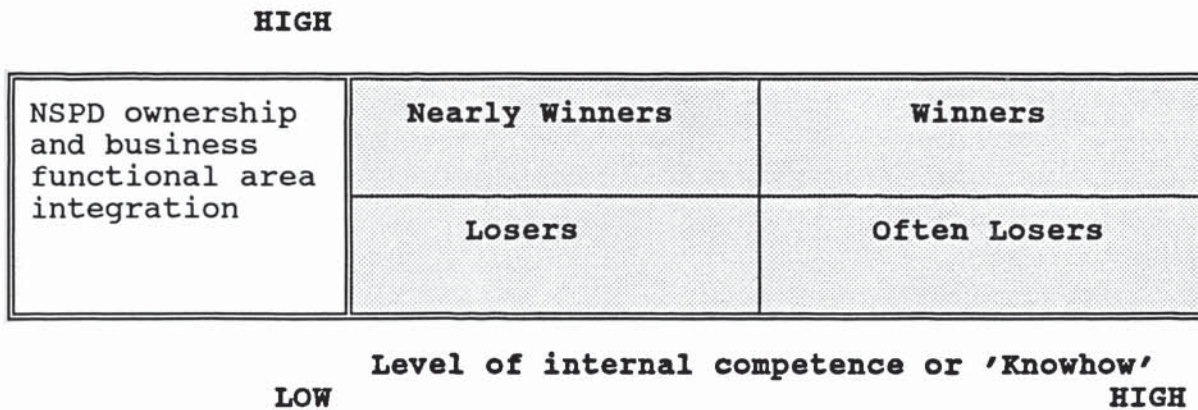


Figure 4.8 Relationship between NSPD internal competence co-ordination and NSPD process implementation

4.13.2 Scenario Two: Often Losers

This scenario characterises organisations that build up relatively large NSPD sections or departments which have responsibility for NSPD activity. Inadvertently however, such organisations, it is argued, often end up in an 'often lose' position. A project manager is often designated with responsibility for NSPD, but in reality has only been designated very limited authority, to co-ordinate the project across business functional area boundaries (Thamhain 1990). The NSPD process, is also often characterised by a clearly defined set of business activities, which are generally sequential and occasionally sophisticated in nature. However, the business functional area managers, in practice, often retain authority for specific segments of the project. Often, conflicting business

functional area operational objectives, and a shortage of resources also accentuate this NSPD problem. Often consultants are used to provide expertise or skill, and as a means of increasing the level of internal competence co-ordination in an area of NSPD such as project management or systems management. But this external skill is managed in a piecemeal way when it could have been used to generate the infrastructure necessary for the organisation's own staff to manage the project and increase levels of "know-how". Such organisations may well start the project without a strategy for acquiring control over external participants. These organisations generally have no early plans for skills transfer. As technology becomes an agent for transforming market-customer pressure into services, the organisation faces a need for a corresponding increase in its internal competence or "Know-how".

4.13.3 Scenario Three: Nearly Winners

Scenario Three: characterises organisations that have achieved a high level of ownership and business functional area integration in many aspects of their NSPD programmes, but only medium levels of internal competence co-ordination or "know-how". This position needs to be considered as a transient stage. However, having achieved this position, any lack of internal competence coordination with respect to other aspects of the NSPD process will not adversely affect the rate of new service product introductions. It is therefore argued that once business functional area integration and ownership has been achieved, then the achievement of new levels of internal competence will not

cause the loss of NSPD process implementation and ownership. Because the organisation has achieved medium levels of internal competence co-ordination or "Know-how" retained from previous projects, this enables it to add new functions and routines when the business requires change to meet new customer needs and aspirations.

It is hypothesised that the gap between this position and a NSPD 'winning' position is relatively small. However, despite the argued efficiency of this process route to a NSPD winning position, it would appear few service organisations reach this stage (Cooper and Kleinschmidt 1990). It is argued that this situation arises because of an organisational preoccupation with improving the NSPD procedural process sophistication, characterised by the existing sequential NGPD and NSPD models which inevitably leads towards the 'often loser' NSPD position.

4.13.4 Scenario Four: NSPD 'Winners'

This scenario characterises the 'Winners,'- organisations that have achieved both a high level of NSPD ownership and business functional area integration, together with high levels of organisational internal competence co-ordination or "Know-how". A likely result of this position, would be a more marked customer-market orientation towards its business activities as against a former product orientation. It would also be expected that many of the NSPD ideas would be initiated from outside the organisation. Implicit in the adoption of this strategic position would be the use of multi-functional project teams as a means of operational implementation. The nature of such project teams

would be likely to be characterised by team members working together towards the achievement of common objectives and the sharing of skills and experience, and absence of business functional area boundaries. The break-down of hierarchical levels of knowledge would also be a common feature. Likewise, a common language, based on an understanding of product definition and customer needs, would facilitate communication between different business functional areas and socio-cultures.

The 'Winners' position would also be likely to be characterised by team leadership, high levels of internal competence co-ordination or "Know-how" and increased operational efficiency. The integrated team approach would facilitate a better balance between continuity of change, with each NSPD activity based on previous experience. As a consequence, NSPD activities would also be more likely to be driven by the needs of the organisation than the reliance on the enthusiasm of individual organisational members. Implicit in the achievement of this NSPD 'winning' position, may well be financial cost objectives relating to lower levels of cost compared to competitors, and an overall lower level of business risk.

As previously argued, (4.9), the existing NSPD models and frameworks, describe prescriptive business functional activities or managerial procedures, but give only limited insight into implementation and ownership of NSPD.

It is proposed that the implementation of NSPD business operational activities can be synthesised from fifteen or more complex sets of business activities, into three conceptual NSPD

implementation stages, which are both interrelated and integrated with each other as a continuum. Fig 4.9 is a representation of a framework for NSPD process implementation.

The implementation process needs to be adopted for each of the three NSPD phases.

The first stage of the NSPD process implementation framework can be termed 'creation'. It is characterised by creative business activities normally associated with the procedural stage of idea generation. It is argued that the major factors which will determine the length of NSPD 'creation' stage include:

- * the extent to which the proposed new service products are uniquely new to the marketplace and/or the organisation
- * whether the service products are extensions of existing product offering
- * the relative ease in operational and procedural terms of carrying out and executing creative business activities which would include categories previously referred to as idea generation and idea screening activities, market assessment and business financial analysis
- * management support for the proposed new service product and the availability of organisational resources
- * understanding of product definition in terms of both qualitative and quantitative customer needs and wants
- * quality and speed of the NSPD decision making-process.

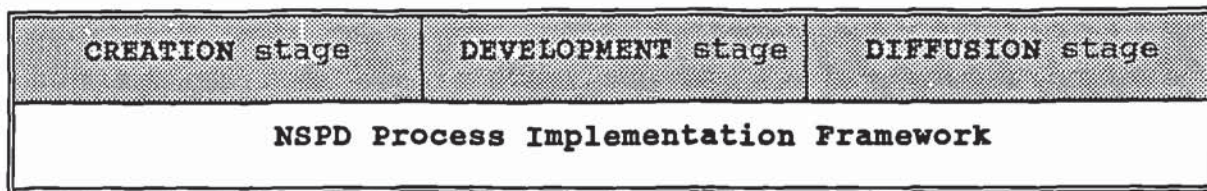


Figure 4.9 A framework for NSPD process implementation

The length of time of this implementation stage in terms of time will vary both with respect to the NSPD project under consideration and also with the phase of the NSPD process. It would be expected that the time devoted to this aspect of NSPD implementation would increase as NSPD proceeded from phase one to phase three of the NSPD process. The second stage of the NSPD implementation framework is termed 'development'. Although it is argued that the framework is a continuum, in terms of business activities which are interrelated and integrated with each other, it is considered important that those activities or procedures associated with the 'creation' stage are successfully completed. In particular, it is argued that both the internal and external organisational influences acting on the 'creation' stage need to have been successfully managed.

The 'development' stage conceptualises the implementation of the process and functional business activities which evolve around the use of organisational resources to develop the actual service product. Specifically, it relates to the business functional area activities concerned with the development of a marketing mix specification, derived from the service product definition. The major factors which determine the length of the NSPD 'development' implementation stage include: tangibility of the

service product in terms of business functional area activities. In other words, the extent to which it is necessary as part of the NSPD procedure to build tangible representations, and the time involved to complete this task. In the case of goods products, for example industrial high technology widgets, the NSPD development implementation stage could be conceptualised as a relatively long period with time horizons measured in months or years. However, in the case of financial service products with a substantial intangible content, where the tangible content is the communications packaging, (eg a plastic card, wallet and supporting documents), the operational development time could be relatively short, measured in weeks or even days.

The third stage of the NSPD process implementation framework can be termed 'diffusion'. This stage conceptualises the incremental NSPD business activities necessary to internalise the proposed new service product within the organisation, both at the strategic and business levels. It describes the managerial NSPD implementation activities that facilitate adoption of the new service product by key decision-makers of the organisation. This stage may also necessitate changes in attitude and behaviour of employees and managers. This is particularly important in the case of service products such as financial services, where employees are working at the key interfaces with customers and channel intermediaries, and also, where the service product offering is substantially different or new in terms of the organisation's existing product portfolio.

The NSPD diffusion implementation stage, will need to develop commitment and ownership, of the key problem-solving tasks from those business functional areas and individuals in the organisation whose working support is needed both in the short and long term time horizons, to ensure successful product launch. This stage would necessitate a minimum level of internal competence co-ordination with respect to the NSPD participants. It may well require the introduction of internal new service product training programmes for both individuals and business functional areas. It can also be argued, that this NSPD implementation stage will necessitate the development of organisational internal marketing NSPD plans. Gronroos (1983), Masiello (1988), Gummesson (1988), (1990), and Piercy (1989), argue that the most tangible and powerful tool of internal marketing programmes is the communication media, and the messages used to inform, persuade and reinforce aspects of marketing strategy and change. As previously discussed, it is argued that this area of NSPD implementation has been relatively neglected by both academics and practitioners in recent studies. Successful implementation of the diffusion stages it can be argued, depends on a clear understanding of the previous two stages, particularly in terms of the implications to the development of internal competence co-ordination, within the organisation.

4.14 A Proposed Mechanism for NSPD Process Implementation

The NSPD implementation matrix , provides a mechanism for the implementation of new service product development business. It

is argued that organisations need to understand their current position or situation, as characterised by the implementation process matrix, in terms of their NSPD internal competence co-ordination or "know-how" and the degree of ownership and business functional area integration, in order to improve the implementation of their NSPD business activities.

The proposed mechanism for NSPD process implementation attempts to conceptualise a NSPD 'winning' position. In particular, the mechanism attempts to take into consideration the horizontal communication channels within the organisation between other business functional areas, as well as the vertical communication channels, between the different hierarchial organisational levels. Similarly, the proposed mechanism considers the full range of communication or interactions that are defined in the existing NPD models. In other words, the mechanism attempts to include the entire set of organisational NSPD interactions that its participants / members must undertake, in operating with others upon which it is dependent to a greater or lesser extent, and with whom it must integrate with in order to complete the NSPD project. These NSPD organisational interactions define the level of internal competence co-ordination.

It is proposed that the mechanism for the implementation of NSPD, is considered as five distinctive but integrated team activities. The key activities which describe the mechanism for implementation are shown in Fig 4.10.

The implementation mechanism builds on the NSPD process implementation framework, and describes the proposed activities of a team consisting of five NSPD process business positions and

responsibilities.

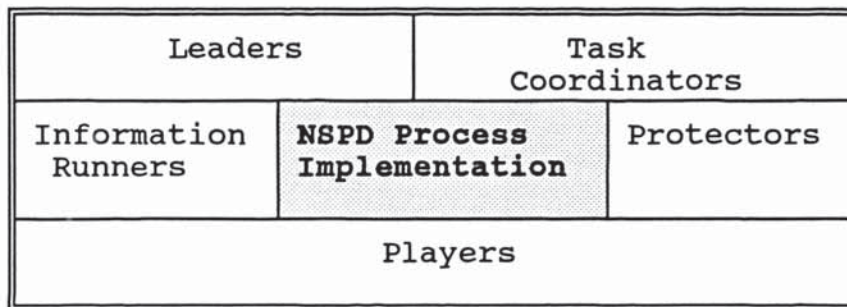


Figure 4.10 A mechanism for NSPD process implementation

The 'leaders' can be considered as team members, whose primary NSPD role would be to negotiate and represent the other team members to various other individuals, and management levels within the organisation. They would also be responsible for combining formal and tacit knowledge with respect to functional and hierarchical divisions within the organisation. The activity of the 'leader' would, most likely, be undertaken by several experienced team members with previous NSPD experience. It would be expected that these team members, would currently hold senior management posts of responsibility within the organisation. In many aspects, this team 'Leadership' position could well be described in the literature as that of a 'product champion'. Because of the various communication levels, both vertical and horizontal within an organisation, it could well be considered necessary that two or more individuals, would adopt this team position.

The mission of this team position, would be to lobby and influence 'gate keepers' and 'influencers,' at various levels within the organisation, that were directly or indirectly

involved in NSPD. McDonough and Leifer (1986), highlight the major roles team champions play in mediating the dynamic tension between the creativity and commercial requirement of an organisation. Similarly, Dill and Pearson (1984), argue that strong NSPD leadership, is necessary to negotiate the political implications of product development effort in organisations. An important task that NSPD leaders would need to undertake as part of the team would be to sustain commitment, from other team members. Sayles and Chandler (1971), describe the need for good horizontal communication in order to integrate diverse groups of professionals, which often exhibit unique and sometimes incompatible interests and traditions, in the context of team building and skills transfer.

The key objectives of this team member(s) would be to:

- * protect the team as a whole from organisational interference, including both political and operational, in terms of the day-to-day business activities. This would also include providing protection from any potential threats and opposition the team might face, during the different stages of NSPD activity
- * reporting the team's progress as required, both in political and operational terms, to higher levels of management
- * status-building of the team in terms of its position within the organisation, to enable it to subsequently obtain any necessary resources desired by the team to facilitate project success
- * translating the organisation's corporate strategy to ensure

that NSPD activities are congruent

- * facilitating the transfer of skills and past experience of other team members to the rest of the team.

Task co-ordination, is the second set of team activities. The main task of these team members would be to communicate horizontally with business functional areas, as against vertical hierarchical communication. The main activities of these members, would be to focus on the co-ordination of the team's efforts, particularly where they interface with other business functional areas. Such activities may well include determining service product definition or service product design. The task co-coordinators' activities would also include obtaining feedback about the team's progress, as well as information about the progress, of other function area groups, who are making a contribution to the attainment of the NSPD goals. A negotiation process is perceived as central to the co-ordination and planning activities. This may well involve attempting to get other members of the team and/or business functional areas, to speed up the completion of a particular NSPD activity, or to share information with other team members.

It is envisaged, that the activities of these team members could well change over the life cycle of the programme and through the different phases of NSPD. Dickson (1983), discusses in the context of high technology development, the advantage of building relationships with other business functional areas and group members early in the product development process. In particular,

it is argued that this reduces conflict and the need for negotiation. Hence, team members are able to establish personal links with other groups before conflicting demands and deadlines put pressure on relationships. The task co-coordinator and leaders are consequently more likely to spend more time working with individuals or business functional areas who are outside the team, than working alone, or perhaps directly with other team members. It would be expected, that these team members would take on a high percentage of the team's interactions with outsiders, than other team members.

'Information runners' constitute the third set of team members. The tasks required of this group, would relate to the collection of information about other business activities, that are going on elsewhere in the organisation. In many ways, it is envisaged that these team member activities would be less focused than those of the 'task co-coordinator's'. Generally, these activities could be seen as undirected viewing of the organisation's immediate environment, (Aguilar 1967). It is considered that these activities would not require specific work schedules, or necessarily obtain specific feedback on a particular NSPD activity, but would provide the team with intelligence of a more general nature. Such activities could well include information relating to customer needs, markets and competition.

Because of the very nature of undirected viewing, it would be expected that these team members would be likely to communicate

more frequently with business functional areas which are closely related to the customer interface. Information seeking activities have been demonstrated in the literature to be particularly important in the early stages of NSPD. In particular, they are cited as vital for reaching a consensus on product definition, (Easingwood 1986, Cooper 1987, Johne and Snelson 1988, and Brentani 1990).

The fourth group of team members which form part of the implementation mechanism could be called the 'players'. This group of team members would be recruited from various business functional areas in the organisation, and would be business or technology specialists. Their main activity would be to operationalise the NSPD business activities which are described in the NSPD literature. The 'players' would also include other team members as earlier discussed, although their roles would be likely to be limited.

The 'protectors', is the name given to the final group of team members. It is proposed that this group would undertake many of the activities that can be considered as the opposite to the other team positions. Their main goal would be to keep information and resources inside the team, and prevent other parts of the organisation removing team assets. Consequently, it would be expected that the nature of communication with other business functional areas or hierarchical levels would be different or even limited, designed to block or re-route requests for resources from individuals or business functional areas outside the team. It is also envisaged that the team activities,

may also include keeping aspects of the work of the team confidential to the team. Such activities, could well be brought into play when the team is vulnerable to organisational interference, or when the NSPD team is working on high priority NSPD projects. These activities could be used when NSPD teams operate in organisations where NSPD activities in terms of other teams are highly competitive. The term 'skunk works' popularised by Peters and Waterman (1982), is perhaps an extreme example of 'protector' activities, where a team has isolated itself from the rest of the organisation.

The number of members which constitute the NSPD team would depend upon a number of factors which could include:

- * the priority of the NSPD project in terms of its planned contribution to the organisation's short and long term objectives
- * organisational culture
- * the time horizons of the NSPD and the ability of NSPD managers to make fast strategic decisions.

The number of team members which are involved or constitute a particular team position would be likely to depend on the nature of the proposed new service product. In other words, the extent to which the NSPD activity relates to the development of radical new services, or an extension of existing service products, and how they relate to the organisation's existing service product portfolio.

4.15 NSPD Team Activities

It can be conceptualised that the NSPD team activities from a marketing management perspective will differ, according to the phase of NSPD and to the extent to which a NSPD project exhibits degrees of 'creation', 'development' and 'diffusion' characteristics. It can be further conceptualised that each phase of the NSPD process is subject to a different set of organisational demands which the NSPD development team must subsequently meet. As the organisational demands or influences on the NSPD team change, then it will be necessary for the NSPD team to change its pattern of interaction, both within the team itself and with outside business functional areas.

As earlier discussed, the first stage of the NSPD process implementation framework can be conceptualised as the 'creation' stage when the service product idea is being formulated. The NSPD literature demonstrates, that for both goods and service products, this is a period of exploration. The NSPD team would need to consider various information inputs requiring an integration and synthesis of business functional area data, and achieve support for the service product proposition. The extent of these activities will depend on the organisational political hierarchies and power within the organisation.

Consequently, it could be surmised that during this stage, the NSPD team activity would be concentrated in team interactions that involve primarily 'leader,' 'task co-ordinator' and 'information runners'. In particular, these team members would be involved in undertaking the following NSPD business

activities:

- * gathering information about customer needs, service product benefits, and service product definition
- * market information and profit contribution
- * service feasibility from an operational/production perspective
- * organisational political information described in terms of support for and opposition to the NSPD programme
- * availability of resources
- * searching for likely political partners or allies.

The second stage of the NSPD implementation framework as earlier discussed, is conceptualised as 'development'. It is argued, that for successful completion of this stage it is necessary to have successfully completed stage one, particularly in achieving organisational support in terms of power, politics and the commitment of resources. In particular, service product definition and marketing mix specification need to have been agreed in principal. The main NSPD activities of the team would evolve around the exploitation of information, and of resources that other team members had negotiated and achieved in the previous stage. The majority of the tasks in this stage, would be operational and specialist in nature. The tasks would evolve around the organisation, and would necessitate the co-ordination of team members in terms of their individual contributions, in order to achieve efficient and effective problem solving. This stage of NSPD would require lower levels of 'leader' and 'information running' activities than those in stage one. It

is envisaged that a key requirement very early on in this stage, would be to complete service product creation activities, so that operational schedules and other problem-solving activities with respect to NSPD could take place. Johne and Snelson (1988), and Brentani (1990), observed that failure to commit to a single plan of action early in NSPD was frequently identified as a reason for NSPD failure.

The third stage of the NSPD implementation framework is the 'diffusion' process. As previously discussed, this stage describes the activities that constitute internal service product diffusion, where other groups or business functional areas of the organisation need to participate in the NSPD programme. The extent of this participation or diffusion process, will depend on the nature of the service product in terms of service product attributes. Langeard and Eigler (1983), suggest involvement or participation could be characterised by three distinctive modes: physical, intellectual and emotional. Similarly, Chase (1989), (1990), offers additional insights into the management of change which can be extrapolated to include new service product development, in his discussion of inter-organisational systems. In essence, it can therefore be argued, that a major team activity would be to transfer skills, enthusiasm and excitement for the service product, and to stimulate adoption by other business functional areas that now need to be involved in the programme. This stage of NSPD can be characterised as necessitating high levels of external interaction, and would be a task undertaken by all team members, but in particular, team

' leader' and 'task co-ordinators'. The communication aim would be to prioritise the new service product within existing product portfolios, and operational schedules. The literature highlights the fact that failure to effectively launch a new product, was one of the key contributors to product failures. However, the literature does not explicitly address success failure rates with respect to an internal organisational launch. A common cause for omission of the launch activity is cited in the literature to result from 'burnout' by individual NSPD managers, or the fact that resources have been moved on to other projects. In many other instances, managers have underestimated the amount of work needed to be undertaken with respect to launch activities, and are subsequently unprepared for the surge of activity needed at this particular NSPD stage. It could therefore be conceptualised that a major responsibility or activity of team 'protectors', and 'leaders', would be to defend and support the team 'players' at this particular NSPD stage.

A conceptual understanding of the NSPD team activities with respect to the three implementation stages of the NSPD process, is essential in order to select individual business functional area specialists for membership of the team. Team selection is seen as a critical parameter for NSPD success.

4.16 Research Issues and Objectives

From the foregoing discussions, it is consequently argued that although much of what has been written in the NSPD literature may

well strike chords of reality with practitioners and managers, it lacks precision in explaining the links between the development of goods and service products and in particular financial services, in the current competitive and often dynamic environments. The study highlights a number of deficiencies and problems with the existing NSPD process normative models. These include the conceptualisation of the models as they relate to service products and their implementation. The study also highlights a failure of the existing theories to reflect or fully explain the links between NSPD and organisational structure, culture, corporate environments and in the case of particular financial services, the impact of enabling technology. In addition, analytical and empirical studies fail to provide a theoretical base for or explanation of how managers make fast strategic NSPD decisions in complex and dynamic corporate environments with respect to service products.

In planning the conceptual framework of the research study, the new product development literature has played a significant role, by providing a rich source of variables from which to characterise the research. The issues identified in the study are clearly numerous, however, the following research issues are highlighted as being of particular interest and importance for further study, given the lack of empirical studies relating to the development of new financial services in complex and dynamic environments.

- 1) Whether financial service organisations operating in complex and dynamic environments need to accelerate new

service product development, and whether credit card organisations exhibit factors which can cause a delay in the new service product development process

- 2) How such organisations organise themselves in terms of their structure and people in order to implement the development of modified existing, bundled, and new financial services
- 3) To what extent financial service organisations operating in complex and dynamic environments, monitor their environment and undertake marketing research activities in order to develop new service products
- 4) Whether financial service organisations adopt any distinctive NSPD practices and techniques with respect to the generation of internal 'know-how' or competence co-ordination.
- 5) To what extent financial service organisations use enabling technology in NSPD and, in particular, its influence on internal competence co-ordination in terms of service product outcomes with respect to efficiency and product improvement.

In order to solve these related questions, propositions will be generated using inductive research methods, which will subsequently be examined using deductive research methods.

The research study will specifically examine the UK Credit Card Industry as an example of a financial service organisation. In particular, the study will explore the current practices of this

financial service product sector, as they relate to the research issues identified above. The five research issues will be examined from two perspectives, firstly in terms of the extent to which they give evidence to support the thesis that, the existing 'normative' NSPD models do not describe financial service organisations operating in complex and dynamic external environments having low levels of direct customer contact, and secondly, as to whether the proposed new NSPD model for financial services represents reality.

It is hypothesised that the new financial service product development process consists of three NSPD phases, which can be described in terms of efficiency, improvement and radical new service development, which necessitate distinctive levels of internal competence co-ordination.

Chapter Five

The Development of and Justification of the Research Methodology

5.1 Introduction

The purpose of this chapter is to explain the steps taken and the techniques used by the researcher to collect the data for the study. Consequently, this chapter aims at exploring the methodology conceived with respect to this research rather than the analysis of the research results which are discussed in the next chapter.

The design of the field work was through five equally important stages which included:

- * identification of research problems and objectives
- * formulation of hypotheses
- * development of a research method
- * identification of the sample
- * development of the data collection system

Aspects relating to the first two stages have already been discussed. Subsequently this chapter examines the remaining stages, together with a discussion on the methodological frameworks relevant to the study.

The chapter starts by discussing the level of research, and the

level of rigour appropriate to the research objectives. This is then followed by a discussion on the criteria for choice of research method, and the subsequent identification of the proposed research methods. The sample used in the study, together with the identification of data sources is then discussed. The chapter then proceeds to discuss the organisation of the field work. This is then followed by a brief discussion on the interview process, questionnaire design and pilot testing. A brief explanation of the purpose of each question included in the questionnaires and the research study conduct, is subsequently discussed. The chapter concludes with a discussion on the representativeness of the data, together with its handling, and the analytical techniques used in the study.

5.2 Methodology

5.2.1 Level of Research

In order to choose a particular research method, it is necessary to understand the level of research being undertaken, since some methods will be more relevant than others. Bennett (1983), identifies four levels of research as being relevant to management research:

- (1) Description
- (2) Classification
- (3) Explanation
- (4) Prediction

House (1970), argues with respect to management research, that it is exceptional to find some truly predictive theory. "Whilst the testing of hypothesis may take on this particular form, we are still very much concerned with understanding and explaining

what managers actually do." It is argued that the domain of the present study lies primarily within Levels One and Two.

Gordon and Langmead(1988), argue that qualitative research is particularly useful in situations which will increase understanding, expand knowledge, and clarify real issues.

5.2.2 Level of Rigour

In choosing a particular research methodology, it is necessary to consider the extent of rigour involved, i.e. the extent to which the research method strictly adheres to the fundamental requirements of research design. Three levels of rigour are identified by House (1970). The first level includes those research methods which offer a qualitative and narrative approach to the analysis of variables. It is argued that their utility lies in the capacity to deal with issues which more rigorous approaches may not be able to deal with - in particular, exploratory studies. The second level of rigour is one at which measurement, particularly in a quantitative form, is an important part of the research method. It is argued such research methods enable the researcher to identify something is related to something else. The third level of rigour describes the notion of scientific method, and is described as primarily concerned with manipulating variables in order to test for a causal relationship, to seek out those variables which have a critical impact on what is being studied and the key relationships involved.

In a related argument, Bennett (1983), makes three points: firstly, that research should be of the highest level of rigour

appropriate to the objectives and needs of the research itself; secondly, that pursuing increased rigour for its own sake is not necessarily an advantage;

thirdly, that the central issue is not so much as deciding which is the best method, but which is the more appropriate, given the purpose of the research.

It is argued that the most appropriate level of rigour with respect to the research objectives, identified in Chapter One, lies mainly within Levels One and Two.

5.2.3 Criteria for Choice of Research Method

Clearly, both the level of research and the level of research rigour are important criteria that need to be considered in the choice of any research method.

The following three points identified by Clover and Balsley (1979), were taken into consideration in the choice of research method.

- (1) whether the method allows the research questions to be answered
- (2) the extent of the current state of knowledge: in areas of research where little is currently known about the nature of the variables involved, then more qualitative, exploratory research methods would be more appropriate
- (3) the nature of the variables involved will govern the extent to which the variables in the research study can be manipulated and measured in a controlled way.

5.2.4 Research Methods and Techniques

Given the scope of the research objectives of this study, and the very limited empirical literature relating to NSPD with respect

to financial services and its non-existence with respect to the credit card financial service sector, it was considered a hypothetico-deductive research design would be inappropriate. Consequently, a combination of research methods and techniques was adopted which would also facilitate a triangulation of results. The primary research method adopted for the study was based on inductive research techniques. It is argued that this approach not only enabled the research issues to be better addressed, but also afforded the opportunity to make a more original research contribution.

Firstly, a multiple case field study type of research method was used, with the primary objective of generating propositions with respect to the research issues. It is recognized that the case study research methodology offers the researcher high levels of 'currency' which pertains to generalisation of findings or external validity, but low levels of data integrity. Bonoma (1985), argues that high data integrity methods (and therefore, with low currency) cannot be efficiently applied to exploratory research at the description end of a research continuum, (of description, classification, comparison, measurement/estimation, establishing association, and determining cause and effect). The research technique used was in-depth interviews of an inductive research type, based on grounded theory, (Glaser and Strauss 1967). The four conditions for effective induction identified by Clover and Balsley (1979), were carefully observed:

- (1) observations need to be correctly performed and accurately recorded
- (2) observations should cover cases that are representative of

the population

- (3) observations must cover a sufficient number of cases
- (4) conclusions need to be confined only to statements that are substantiated by findings and are not over-general or too inclusive.

The main purpose of the in-depth interviews, was to determine as clearly and accurately as possible, the current status and circumstances surrounding the research issues, and also, to enable background and anecdotal information to be collected. The circumstances leading to the current situation with respect to the research issues and possible solutions were also specifically examined. It was also considered that this study would enable the researcher to establish a range of attitudes with respect to the research areas and to identify attitude dimensions that could form the basis of attitude-scale questions in the structured questionnaire of the survey study. Likewise, as earlier indicated the interview process would facilitate the development of a number of working propositions for subsequent examination.

Secondly, a survey research method using self-administered questionnaires as the main instrument and in-depth interviews as a secondary technique, was adopted to examine the working propositions generated from the previous study more rigorously. In essence the main aims of carrying out further in-depth interviews were firstly as a political strategy, in that the interview process tended to facilitate the subsequent participation of credit card managers in the main study being the survey, using questionnaires, and secondly, to facilitate the collection of more narrative-type of qualitative data, which is

difficult to collect in a questionnaire. Table 5.1 summarises the research methodologies used and the research techniques adopted, and indicates the main purpose with respect to the research objectives.

			Research Methodology		
Research Objective Number	Level of Research	Level of Rigour	<u>Multiple Case-study</u> : In-depth Interview	<u>Survey</u> : Self-administered Questionnaire	Reasoning Process
3	1,2&3	1 & 2	Qualitative	Qualitative & Quantitative	Deductive
4(1-7)	1,2&3	1 & 2	Proposition Generation		Inductive
4(1-7)	1,2&3	1 & 2		Proposition Examination	Deductive

Table 5.1 Summary of research methodologies adopted

5.3 Identification of the Sample

The sample used in the two studies was drawn from a total population of twenty-eight organisations which constituted all the UK Credit Card Industry (2.3). These companies consisted of both banks and building societies. Although the actual number of credit card companies is relatively small relative to other sectors of the financial service industry, the number of users of credit card services is substantial, (figure 2.6).

Three credit card organisations were involved in the case study field study. They were chosen on the basis that two of the chief executives of these organisations were closely involved with the researcher's employer, one as governor and the other as an employer adviser to the Faculty of Management and Business, Nene College. The third organisation was chosen on the basis that strong business links already existed with the researcher's

employer. Hence, it was considered that this position and that of the other two organisations gave substantial political strength in terms of organisational entry, and the collection of what has been traditionally considered within the financial service industry, as sensitive data. Since the total market share of the three organisations was in excess of 38%, it was also considered that these organisations would enable conclusions to be drawn that were to a great extent, representative of the industry as a whole. Initially, it was proposed at the design stage of the survey study, to examine all UK credit card organisations and foreign banks operating credit card financial services in the UK. However, it was evident from some exploratory talks with various credit card executives, that there was a reluctance from a substantial number of these organisations to participate in the study. This was primarily due to a question of business confidentiality, accentuated by the relatively small size, structure, competitive environment and culture of the industry. After some protracted discussion and subsequent correspondence with some of the larger credit card organisations (in terms of market share), they subsequently agreed to participate in the study. As part of this process; it was necessary to reach an understanding with those organisations, of the key parameters of the research study, including the overall purpose and the expected benefits. Initially these discussions were on an informal basis and were conditional on an absolute requirement of the researcher, to preserve anonymity within the dialogue of the research thesis and in particular the research findings. This informal agreement later necessitated

a written undertaking being given to the above effect, which also included confidentiality relating to any discussions arising from meetings with credit card executives, taking place as part of the study. Similar conditions with respect to confidentiality were also imposed by the three organisations who had agreed to participate in the case study examination.

5.4 Data Sources

There were four data sources:[1] initial Senior Company Executive interviews,[2] semi-structured interviews with Senior Marketing Executives and Product Marketing Managers,[3] questionnaires completed by each of the three levels of management shown below,and [4] secondary sources.

Credit card management level:

- * Senior company executive
- * Senior marketing manager
- * Product marketing manager

The reason for choosing these credit card executives can be briefly explained as follows:

5.4.1 Senior Company Executives

This group of managers it was considered would normally be involved in all aspects of the organisation both in terms of Corporate and Business strategic decisions. Therefore, their attitude and judgement with respect to marketing and in particular new service product development, was considered to be of great importance in terms of influencing management strategy. It was also necessary, as earlier indicated, to have the support

of this executive officer(s) in order to examine further aspects of the organisation from both a political and practical position. Initial contact with credit card organisations with respect to the survey was made by letter addressed to a named senior executive. This letter contained a brief introduction of the researcher in terms of occupation, and gave a brief outline of the purpose of the proposed research. This contact was subsequently reinforced by telephone contact, which also had an objective of soliciting suitable managers in the organisation who might be willing to participate in the study, particularly in terms of a face-to-face interview.

5.4.2 Senior Marketing Managers

This group of managers were considered to usually be involved in marketing planning activities at both the strategic and the business levels. It was considered that they could make a substantial contribution to the study on the basis of their responsibility for the business function of marketing management. Likewise, it was considered that this group of managers would be responsible for the implementation of any new service product developments within the organisation. Thus it was considered that their attitudes and approach to new service product development would affect the manner by which, this activity would be carried out in the organisation.

5.4.3 Product Marketing Managers

This was considered an important group of managers which would facilitate the investigation of the organisation in terms of the

application and implementation of marketing management concepts and tools at the business level. In addition, it was considered these managers would give a better insight to aspects of new product development activities at the tactical action level and would have some considerable interface with other business functional areas in terms of credit card business operations. In theory, it can be argued that product managers are concerned with elements of the marketing mix as such, and they are often responsible indirectly for a number of specific business areas. These could include product bundle design, promotion, delivery and distribution, pricing and profitability, and training. Consequently, this group of managers it was considered, would be able to give another perspective of the strategic marketing issues as they relate to new service product development.

5.4.4 Secondary Source and Other Data

Credit card industry reports and internal documents were examined as available, including some informal observations. These observations were drawn from attending a one day, new service product development meeting in one organisation and attending a weekly senior marketing team meeting in another.

5.5 Organisation and conduct of the Case Field Study

As part of the case field study, the researcher negotiated a short secondment with one of the credit card organisations that had agreed to participate in this study. Although the main purpose of the secondment was for professional updating in terms

of general marketing management practice, it did give the researcher an additional insight into the development of new financial service products as identified in 5.5.4.

5.5.1 Senior Executive Management In-depth Interviews

An entry interview, using a semi-structured format, was conducted with each of the credit card company executives who had agreed to participate in this study.

The interview process began by first briefly describing in a little more detail, the overall purpose of the research study, and then by asking the interviewee to describe the company's external business environment. The interview with the senior executive then proceeded to discuss broad aspects of the company's competitive strategy with particular reference to the role of new service product development. The senior company executive was then asked a series of questions in order to explore aspects of the company's distinctive competence with respect to its credit card service product portfolio. The discussion subsequently examined competitors in the credit card business, and the performance of new credit card products. In the course of the discussion, the senior executive was asked to identify any significant decisions made, or on-going major decisions with respect to new service product development. In particular, specific reference and focus was made on the NSPD strategy and of the company organisational structure.

5.5.2 Senior Marketing Manager and Product Manager Interviews

Following the initial interview with the senior company manager, arrangements were subsequently made to interview a senior

marketing manager and a product manager with responsibility for credit cards. In all instances it was necessary to make separate interviews with the product managers, usually ten or fourteen days later.

The interviews with both the marketing manager and the product managers with respect to the research issues were semi-structured, and were based on aspects of earlier discussions with the senior company executive. The conduct of these in-depth interviews was slightly less formal than in the previous interviews with the senior credit card executives. An early objective or stage of the interview process was to establish with the interviewee the domain of the research area, and to determine what was to be included in the discussions in terms of definition, and what was to be excluded. A second, somewhat implicit stage or objective of the interview design, attempted to capture the domain as specified. In essence, the case study interviews consisted of approximately ten open ended questions, eight of which were based specifically on the research issues. These questions were then supplemented with additional questions that seemed appropriate and fruitful to pursue. Although some of the questions were based indirectly on a search of the literature as discussed in Chapters Two and Three, and from issues developed in Chapter Four, the overall interview process was primarily inductive in nature. The interviews were generally about sixty minutes in length, although some of the interviews with the product managers were considerably longer. The interview format with each marketing manager began by asking the same questions as previously had been addressed to the senior company

executive at the initial interview. The marketing managers were asked to describe the role of new service product development in the overall strategy for credit cards. The interview then proceeded to examine two new credit card product developments of the managers' choice. The only condition placed on the discussion was that one of the products should be of recent or current time origin, and the other having been launched at least three or four years earlier. The managers were then asked to describe how service products were developed. Particular attention was given to determine time dimensions for new service product development. The interview process also explored how the company was organised to undertake new credit card development, and who was involved in the process in terms of staff and their functional responsibilities together with the need for staff training. The frequency and nature of interaction with other members of the new product development team or group were explored, together with details of the routine decision-making process and the role of information technology. As with the senior company executive interview, questions were asked about the need of the company to accelerate the new product development process. Likewise, the interviews attempted to explore management actions that could accelerate the NPD process and concluded by reviewing issues that were considered responsible for delaying the process.

Although agreement at a high organisational level had been obtained with respect to the study, managers did not give permission to record the interviews by audio tape. Sensitivity, as earlier discussed with respect to confidentiality of the

obtained with respect to the study, managers did not give permission to record the interviews by audio tape. Sensitivity, as earlier discussed with respect to confidentiality of the subject area and nature of questions precluded this technique of data collection. However, careful note-taking was carried out (although some managers were concerned even with this aspect of the interview) which was later transcribed within twenty-four hours to facilitate content analysis.

Thus, a view of the new service product development process and the strategic decision process involved within each company emerged.

5.6 Survey Study: Measurement and Questionnaire Design

The survey research method was adopted to examine the propositions generated in the case field study, and necessitated the use of both qualitative and quantitative research techniques, and the concept of measurement. To facilitate this measurement process, specific aspects of NSPD which were identified from the case field study were replicated in the questionnaire. Content analysis was used to identify and subsequently operationalise the pertinent NSPD concepts with respect to both the research issues, and the proposed new NSPD model for financial services.

Postal questionnaires as a data collection technique were considered appropriate for a number of reasons. In particular, it was considered that this method would overcome some of the difficulties experienced through recording data by in-depth interviews, as previously identified. It was also considered that it would enable data to be captured from credit card managers who were unable to participate in the in-depth interviews, but who

had agreed to participate in the study. The method also facilitated the collection of additional information that was not specifically sought in the initial in-depth interviews.

In the development of the marketing measures, particular attention was given to the components of measurement discussed by Southan (1988), and Weiers (1988), particularly to measurement as a process, the translation of characteristics/qualities into numbers, and the rules of measurement. Likewise, the work of Green, Tull and Albaum (1988), gave a valuable insight into the characteristics of real number systems.

The face validity of the research constructs in terms of the multiple items that characterise the research issues and propositions, were developed from the interview process. These items were subsequently examined by two senior managers in the credit card industry who had previously participated in the in-depth interview process, and who had been supportive of the study. Industry specific knowledge gained through the case field study interviews and the secondment as previously discussed, proved to be invaluable with regard to the development of meaningful measures for the study. Each of the measures and scale items were reviewed in terms of applicability and efficacy. Revision and refinements were subsequently made in accordance with individual suggestions and criticisms by the two managers. Items that received a high rating from the practitioners, together with suggested items and other items that had been demonstrated by academic researchers from the literature review as valid, were included in the instrument.

Items were phrased to describe both favourable and unfavourable

practices to offset any affirmation negation response bias. The test instrument also contained a number of items to examine specific aspects of NSPD which constituted the more broad exploratory research objectives. The items were incorporated in a self-administered questionnaire.

The questionnaire was carefully constructed with a combination of both open and closed type questions in order to gain the advantage that both types offered. However, the closed type of question was mainly used in an attempt to obtain a relatively high question completion rate. Payne (1957), observed that open-ended questions gave a spontaneity and individual flavour, but gave a lot of problems in standardization in subsequent analysis and often resulted in lower completion rates.

In many instances, simple dichotomous yes/no alternatives, some to be rated on a five point scale with polar extremes 'to a great extent' or 'very important' on the left and 'not important at all' or 'very little' on the right were used. A separate label 'not applicable' was added on the scale, where it was considered that a particular activity might not be applicable to the respondent's role and/or department.

A 'Likert' type scale was also used for questioning attitudes. Here, respondents were asked to respond to each statement along a scale ranging from 'strongly agree' to 'strongly disagree'. Open-ended questions were used specifically to give respondents the opportunity to express their feelings and/or views on specific issues. A 'Likert' type scale was chosen because they have been shown to have a good reliability, (Likert 1932), and are simpler to construct than Thurston scales. It was also

considered they give rather better information about the degree of a respondent's feelings. The technique allows more freedom in the expression of views than simply restricting respondents to use the endorsements of "agree" or "disagrees," as dictated in Thurstone scaling. Consideration was also given to the issue of scaling regarding the advantages of odd versus even numbered scales.

A five point odd number scale with the interval between the numbers 1 through to 5 was mainly used for the questionnaire in these studies. In order to try and make the respondent make a clear decision one way or another, an even scaled numbering was occasionally used.

The questionnaires also included multi-choice type questions, careful attention being given to the question design to ensure that the alternatives offered gave the respondents sufficient alternatives. Likewise, care was given to the design of alternatives to ensure that they were mutually exclusive, so that the respondents could differentiate between them without difficulty. Because of the relatively low numbers of questionnaires involved, a simple coding technique was used.

The three questionnaires used for the study are shown in appendix 1.

5.7 Pilot Test

The first design of the credit card company questionnaire (and the initial interview structure), was subject to a pilot test, as well as an interview administered test. In order not to alienate the two credit card managers (by taking up further of

their time), the interview administered test was carried out with the help of an MBA student who had previously had some responsibility for developing new financial services for another sector of retail banking. This process was a valuable step in the development of the questionnaires, since it also provided another insight into the complexity of the financial service product industry from a different perspective. The work of Schuman (1967), Payne (1957), and McFarland (1981), who strongly urge the need for pilot testing, which they consider should be done under conditions which reflect in miniature the main survey, was found to be particularly useful.

The specific aims of conducting the pilot test were to:

firstly, ascertain respondents' reactions to the questionnaire in terms of lay-out, form type and length of questions and secondly, gain an insight into any possible problems that might arise from the use of self-administered questionnaires in terms of the interpretation of questions.

As a result of the pilot test a number of questions were excluded and others added. The pilot test also indicated that the structure of some questions which were originally open-ended questions, would be better presented as multi-choice. Likewise, the pilot test enabled a number of questions to be modified in order to reduce the possibility of ambiguity and different interpretations by respondents.

5.8. Questionnaire Content

In order to establish the extent to which a marketing orientation and its articulation with respect to new service product development practice was adopted at each of the three management levels, the first part of each questionnaire was common to all three.

5.8.1 Senior Company Executive Questionnaire

In general, this questionnaire covered two aspects.

Firstly, a number of general questions which sought to determine the status and importance of marketing and NSPD in credit card companies.

Question 1 in each of the three questionnaires asked respondents to indicate their core business. The aim of this question was to examine whether managers defined the credit card business in broad or narrow terms.

Question 2 - 5 attempted to investigate the degree of marketing sophistication in the credit card company and the range of NSPD activities.

Question 6 - 8 were concerned with broad issues relating to the organisation and implementation of NPD activities.

Secondly, management attitudes towards a marketing orientation and product innovation were sought. This part of the questionnaire was, again common to each of the others. It contained twenty-five constructs designed to measure the extent of marketing management practice within the organisation and the relationship to the underlying marketing philosophy.

Statement 1 - 5 were mainly concerned with the general marketing

orientation of the credit card companies, including corporate culture.

Statement 6 - 11 explored the extent of integration and co-operation between marketing and other operational areas of credit card companies.

Statement 12 - 17 was concerned with the extent to which credit card organisations monitor, analyze, and forecast trends and changes in the macro environment with specific reference to NSPD.

Statement 18 - 23 examined aspects of NSPD decision making.

Statement 24 - 25 examined the need to accelerate the NSPD process.

5.8.2 Senior Marketing Manager Questionnaire

The questionnaire was divided into three main areas. Part one was concerned with aspects of marketing activities performed within the department.

Question 1 - 3 investigated the history and foundation of formal marketing at a functional level, and the number of people working in the department.

Question 4 - 7 was concerned with product development and its relationship to other marketing functional activities and the role of information technology.

Question 8 - 9 examined the internal co-operation and co-ordination between operational card activities and the marketing functional area with respect to the acquiring and sharing of internal skills.

Question 10 - 16 was designed to explore further issues explored in questions 8 to 9, two main sets of questions were asked of

respondents. The first set concentrated on how credit card companies were formally organised to develop new products. The second set attempted to explore the types of management techniques used to develop ownership at an individual and functional area level for new service product development.

Question 17 attempted to identify whether or not bank credit card companies researched the customer market before they decided to introduce new products or modifications.

Question 18 - 19 examined the NSPD process activities in terms of operational efficiency.

Question 20 was designed to investigate the management decision process with respect to NSPD.

Question 21 attempted to assess whether there was a need to reduce the product development time for new products.

Question 22 was intended to examine reasons for delays in developing new products.

Question 23 explored the major factors which influence credit card companies to introduce new credit card services and modifications.

Question 24 - 27 examined the importance of product definition and service requirements, including service image, and positioning in terms of service product bundling activities.

Question 28 - 29 were concerned with NSPD process activities and the proficiency of tasks as an incremental process.

Question 30 - 34 explored the involvement of senior managers in NSPD activities.

Question 35 explored the concept of bundling and product design.

Question 36 was concerned with the collection and use of

information with respect to NSPD decision-making.

5.8.3 Product Marketing Managers' Questionnaire

Although this questionnaire encompassed thirty six items, the following description of the questions excludes those which were similar in each of the other questionnaires and in particular, the proceeding section.

Question 6 - 9 explored product managers' responsibilities with respect to new product development programmes.

Question 10 attempted to identify the extent of monitoring the macro and micro environments in which the company operates.

Question 11 was concerned with organisational structure, in terms of the implementation of new service product development activities.

Question 12 was designed to examine the frequency and nature of reporting systems to senior marketing management.

Question 13 - 15 explored the implementation of new product development plans at the product management level.

5.9 Organisation and Conduct of the Survey Study

The field research of this study as described, consisted of two parts: the in-depth interview and the self administered postal questionnaire. The following is a description of the conduct and the response of these two studies.

The in-depth interviews of the survey study followed to a great extent, the conduct of the case field study as previously described. Table 5.2 shows the total number of persons involved in the in-depth interview survey study. Although the number of

participants is relatively low with respect to the total population shown in brackets, it represents in excess of 80% of the industry market shares.

Level of Responsibility	Number of Participants		
Senior company executive	(28)	4	14%
Senior marketing manager	(28)	8	28%
Product marketing manager	(36)	11	31%

Table 5.2 Number of persons involved in the credit card company survey in-depth field interviews

The procedures adopted for the distribution of the questionnaire followed the guidelines derived from the work of Ognibene (1970), Richardson (1965), and Chisnall (1976), who observed that self-administered questionnaires were more successful in terms of response rate when the respondents had been well briefed on the purpose of the study, and also had some affinity for the nature of the study. The credit card company questionnaires were distributed by mail to the credit card companies who had previously agreed to participate in the study. In the majority of instances, this followed the in-depth interview, and the questionnaires were addressed to named individuals. The questionnaires were accompanied by a letter from the researcher, again explaining the purpose of the study. In most instances this letter also acted as a 'thank you' note with respect to the face-to-face interview, while for others the content was new. The letter also contained a statement of confidentiality, as previously agreed with the credit card companies, together with clear instructions for the return of the questionnaire. In order

to demonstrate the maintenance of anonymity, respondents were asked to return the questionnaires in an unmarked envelope to Nene College. The instructions informed the respondent that the questionnaire would be removed from the envelope (which would be subsequently destroyed), by faculty administrative staff and then returned to the researcher. The questionnaire itself was not coded in any manner. This somewhat elaborate procedure was considered necessary, in order to demonstrate a process of anonymity. This was an important part of the agreement with the credit card organisations to facilitate their participation in the study which the researcher considered duty-bound to observe. In order to promote a high response rate with respect to the questionnaires, personalised reminders were sent out to all credit card company participants after ten days. However, as a consequence of the procedures discussed above relating to the receipt of the questionnaires, the researcher was unable to differentiate between those managers that had returned the forms and those that had not. Consequently it was not possible to take further actions to encourage a higher response.

All the questionnaires were printed single sided and included a stamped addressed envelope for their return. Hyett and Farr (1977), and Jobber (1986), observed that there was some correlation with response rate, and the printing style of postal questionnaires.

Table 5.3 gives details about the distribution of the questionnaires, and the rate of response.

Questionnaires	Senior Company Executive	Marketing Manager	Product Manager
Total Distributed	28	28	36
Completed and returned	19	24	25
Incomplete or blank	nil	nil	nil
Total response	68%	87%	69%
Non response	32%	13%	31%

Table 5.3 Distribution of survey questionnaires and rate of response

5.10 Data Handling Analytical Techniques

There are, clearly, analytical techniques available in the vast field of data analysis and their applicability is controlled by the number of variables involved, (Moser and Kalton 1971, Harris 1978). The following is a brief description of the main techniques used in both studies to determine the results: discussed in Chapter Six.

As discussed earlier, both the level of research and the level of rigour, 5.1.1 and 5.1.2, will to a great extent govern the use of statistical analytical techniques. In addition, the extent to which 'currency' and data integrity are important, (5.1.4), will affect the use and appropriateness of statistical techniques. As a consequence, statistical analysis techniques which give rise to high data integrity, would generally be inappropriate in both the case-field study and the survey study which use high currency inductive and deductive research methods. Craig Smith (1988), argues that the epistemological issues are

frequently ignored by researchers who latch on to an appropriate research method where appropriateness is usually derived from prior use in similar circumstances. Similarly, Berger and Kellner (1981), comment that "meaningful research demands a sound epistemological base to the research method. Consequently epistemology, research method and data analysis techniques are inter-related in a complex way."

5.10.1 Representativeness of Data

To a certain extent, it can be argued that the use of questionnaires as earlier discussed in 5.6, introduces elements of positivist research design, and therefore the results are representative, (McClintock et al 1979). The literature contains some debate on the representativeness of case study research techniques in terms of whether it may be irrelevant, or temporarily irrelevant - but must be addressed at some point if generalisation, ie valid theory-building, conclusions are to be drawn, (McClintock 1979, Hughes 1980, Bonoma 1985).

In this present study, it is argued that problems of representativeness of some aspects of the data collected being temporarily irrelevant because of the use of the case study technique as exploratory research, and by the use of questionnaires in the survey research study as earlier discussed in 5.6, make this part of the results more representative.

However, in the case of exploratory type research its representativeness can also be argued to be absolutely irrelevant. Worsley (1970), comments "the general validity of the analysis does not depend on whether the case being analyzed

is representative of other cases of this kind, but rather upon the plausibility of the logic of the analysis." Similarly, Mitchell (1983), shows that logical inference is epistemologically quite independent of statistical inference. Glaser and Strauss (1967), made an earlier similar distinction. Jones (1981), comments that the qualitative researcher relies primarily on intuitive capacities for inference, empathy, perceptiveness and creativity. Hart (1991), comments that in the case of the analysis of qualitative data, little attention has been given to this area and as a consequence this perpetuates the tendency for analysis to be done badly.

5.10.2 Analysis of Data

Analysis of the in-depth interviews relating to the case field study generally followed a schema developed by Hart (1990), within a framework based on grounded theory developed by Glaser and Strauss, (1967). The data from the interview notes was initially categorised with respect to the nature of the topic, i.e. the relevant research issue. However, care was given during this and subsequent categorisation of the data analysis to avoid a structuring of the data within a priori definition of the research area. In order to determine sub-categories within each area of the five research issues, a technique of data-mapping was adopted using yellow 'Post-it' notes on large flip chart paper. The data maps comprised two main elements: description of entities, abstract or concrete, derived from the interviewees with respect to the situation being considered in terms of concepts of ideas relating to the relevant research issues, and,

beliefs or hypotheses about the relationships between them. Arrows were drawn from the 'Post-it' note clusters to represent a relationship where one set of data leads to, or is explained by, another, and a coloured line was used to represent a connotative, or non-causal link. Having identified a number of categories arising from the in-depth interviews, these were then concentrated by seeking categories that had similar labels. This was achieved by comparing the content of the categories, putting together those categories that seemed to go together, where they were on the same topic and/or illustrated a particular theme relevant to the research issue. In some instances this process of categorisation resulted in yet further categories which in turn resulted in finding superordinate concepts that brought together similar categories and sub-categories.

This technique (although somewhat untidy), gave the researcher an understanding of the way in which the interviewees make sense of new service product development and the research issues in their world - attributing meaning and significance through explaining and predicting the consequence of events for themselves. Hence, the conceptual categories and the resultant propositions developed with respect to each of the research issues emerged from the crucial base of the data categories and concepts belonging to the credit card managers.

The qualitative data with respect to the survey study, was analyzed using a combination of two analytical approaches. The first approach used a framework for qualitative case analysis by Hart (1990), which is a synthesis of earlier work by Miles and Huberman (1984), and Van Maanen (1983). This framework is

summarised below:

- (1) assemble raw material, such as interview notes, transcript of the interview and published data from both inside and outside the organisation
- (2) determine a logical pattern of topics to present the material under. This is usually consistent with the issues discussed in the interview
- (3) determine the major sections or paragraphs together with their titles and produce section headings under which data will be analyzed
- (4) review the data against the section headings and identify gaps, if any, in the data
- (5) condense the data into a case record
- (6) using the section headings determined in (3), aggregate the data from the individual cases into a single document to allow comparison of individual interviews.

The second approach used a framework developed by Glaser and Strauss (1967), for sequential analysis, which is primarily a three stage process:

- 1) selection and definition of problems, concepts and indices;
- 2) examination of the frequency and distribution of the phenomena;and
- 3) the incorporation of individual findings of the specific organisation under study into an information set.

This latter approach was considered particularly appropriate, since the conclusions drawn from this method can be argued to be 'implicitly numerical,' even though they are not precisely quantified. It was also considered that this approach afforded

an opportunity for triangulation of results with respect to those obtained from the questionnaire survey.

In the case of the quantitative data collected through the questionnaires, since the sample size was very large (twenty-four organisations from a total population of twenty-eight organisations) but relatively small in numerical size, it was considered that too much emphasis on sophisticated techniques would be both irrelevant, and inappropriate statistically particularly given the nature of the data. In considering appropriate statistical techniques, attention was to methodologies for dealing with small numbers. Sheth (1975), has observed that it is not uncommon for researchers who are familiar with a particular method to try and use that technique across all research problems. Analysis of the findings is determined mainly through distributional characteristics of the variables in terms of frequencies and percentages. In addition, comparison of means was used to examine some ranked questions (eg. "very important" - "no importance"). The higher the mean score the more important the factor was considered by respondents as representing reality.

5.10.3 Validity and Reliability of Data

It is argued that the results presented in Chapter Six and the inferences subsequently drawn and presented in Chapter Seven can be considered both valid and reliable. In the execution of the research process, attention was given to a number of concepts. The concept of descriptive validity was considered important with respect to authenticity, particularly with respect to the problems of 'misdescription, incompleteness, oversimplification, suppression, exaggeration and ethnocentricity' of data, as

outlined by Runciman (1983). Likewise, the concept of validity in terms of the extent to which the concepts used in both studies fitted the data collected, was also considered in the research process. Similarly, theoretical validity was also considered in the research process in terms of attempting to ensure a coherence of the resulting theory which emerged from the collection of the qualitative data. As earlier discussed, external validity with respect to the scope and generalisability of the data was considered. Finally, the concept of reliability was considered in that it is argued that in the execution of the qualitative part of the study, the researcher attempted to adopt a rigorous and systematic approach to data collection and analysis. The use of a questionnaire in the survey study, as previously discussed, adds further strength in terms reliability.

Chapter Six

The Research Study Results

6.1 Introduction

The purpose of this chapter is to present the results of the research study with respect to the research objectives.

The research design, as discussed in Chapter Five, consisted of the collection of both qualitative data obtained primarily from in-depth interviews, and quantitative data obtained primarily from the use of questionnaires. The chapter starts by presenting a summary of the main results of the case field study arising from the in-depth interviews.

Since many aspects of this study are to an extent replicated and subsequently presented in the field survey study, the presentation of results is consequently limited to those results which led to the generation of the working propositions. This is then followed by the results of the field survey, this being the main research study, which is an examination of the working propositions arising primarily from the use of self-administered questionnaires. The presentation of these results will focus on a set of issues derived from the research objectives identified earlier in Chapter Four. The subsequent findings derived from the presented research results with respect to the research

propositions, are discussed in Chapter Seven.

6.2 The Case Field Study

As discussed in Chapter Five, in-depth interviews were conducted with managers from three credit card organisations following the methods of inductive research.

The in-depth interviews as discussed in Chapter Five, consisted of nine open-ended questions, seven being directly based on the research issues as identified in Chapter Four. The results of the first two questions are not directly reported here, since they relate primarily to the identification of the current situation and background data relating to credit card financial service organisations. Pertinent aspects of the results of the first two questions are subsequently discussed where appropriate, with the presentation of the results of the survey study.

The first research issue examined whether credit card financial service organisations operating in complex and dynamic environments, need to accelerate new service product development and whether they exhibit factors which can cause a delay in the new service product development process. This issue was examined using three main questions. Firstly, what was the nature of the present financial service market with respect to credit card products; could it be described as 'complex and dynamic'? Secondly, was there a need to accelerate new service product development? The results of these first two questions were analyzed under nine categories or generic titles, and are presented below.

Competition Speed Segments Turbulence Choice	Market Share Regulation Product Benefits Customers
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Typical comments received with respect to this area of the in-depth interview which describe and characterise the underlying position are as follows:

"The cosy world of the credit card business has become suddenly much less friendly".

"When the building societies introduce their visa cards, they will come into the market in a big way....."

"There can be few areas where competition is increasing as dramatically as in the credit card market which has....."

"We want to give our customers the widest possible choice of plastic card"

"Retailers are naturally delighted at the outbreak of competition for their customers"

"The pace of change is obviously hotting up"

"The marketing pressures are acute"

"When I joined the banking fraternity, we had very few products. In future we will increasingly experience not only a rapidly growing number of companies offering credit card services, but a demand for a rapidly growing number of products individually tailored to particular market segments".

A third question explored that part of the research relating to whether credit card organisations exhibit factors which can cause a delay in the NSPD process. The results of this question

were analyzed under fourteen categories or generic titles, as presented below.

Procedures	Culture
Decisions	Effectiveness
Management Hierarchy	Control
People	Communications
Business Area Integration	Project Management
Planning	Market Characteristics
Time Management	Market Definition

Typical comments received with respect to this area of the in-depth interview which describe the underlying position are as follows:

"Time is also lost when we need to conform to new rules and procedures and when decisions are taken through various layers of the organisation"

"Lack of co-operation between different departments is a particularly frustrating aspect of new product development in our organisation and often results in lost time"

"If people set sharper goals, create more realistic work plans and stick to them, we would have less new product development delays"

"In our organisation we would have less delays if staff could sort through their conflicting but often strongly held views on technical issues more rapidly and with far less drain on their energy and goodwill"

"If staff were utilised to their full capabilities, by that I mean less time and energy spent trying to look good and more time just getting the job done, we would have fewer delays in our programmes"

"Product development decisions do not in our organisation, appear

to be made in a structured timely, and efficient manner" (product manager)

"Project control is achieved through personal intervention rather than through the execution of rational management procedures"

"New product market performance characteristics and requirements are frequently poorly defined and ineffectively translated into customer expectations"

"Management control of new product development is often hopeless - changes frequently causing schedule delays"

"Project management is usually not successfully integrated into product development - generally this problem stems from poor communication"

From an analysis of both groups of data categories, the following propositions subsequently emerged:

P1: Financial service organisations operating in dynamic and competitive environments, have a need to introduce more new or modified service product offerings than in periods of less competitive turbulence.

P2: Financial service organisations in order to introduce more new or modified service product offerings have a need to accelerate NSPD procedures in periods of dynamic competitive turbulence.

The second research issue explored how credit card organisations organised themselves in terms of their structure and people in order to implement the development of modified existing, bundled, and new financial services. The results of this question were

analyzed under sixteen categories or generic titles.

Traditional Organisation Banking Limitations Adaptability New Products Meetings Management Process	Reverse Engineering Staff Effectiveness Benefits Motivation Teamwork Cross-functional Activities Flexibility
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Typical comments received with respect to this area of the in-depth interview which describe the underlying position are as follows:

"We are organised in many ways along traditional banking lines, especially regarding control and command"

"I think our organisation at times suffers from a sort of functional myopia which causes problems in terms of adaptability when new product ideas come on stream or are being developed"

"One of the major changes by re-designing our management process was reducing the number of meetings"

"We have made significant progress towards re-shaping the business to ensure that we use our people more effectively"

"I consider one of the significant benefits we have gained as we changed to a more flexible organisational structure is that staff have grown and developed as a result of working in teams. Particularly where staff were working with others with a different skill set, the mix became richer and our staff more motivated" -senior marketing executive .

From analysis of the data categories, the following propositions subsequently emerged:

P3: Financial service organisations in order to develop

successful new or modified service product offerings are likely to adopt a common NSPD organisational structure based on a functional type of structure.

P4a: The marketing business functional area within credit card financial service organisations has substantial internal political influence which it gives to NSPD activities.

P4b: The marketing business functional area within credit card financial service organisations has substantial external business experience which it gives to NSPD activities.

P5: Responsibility for the implementation stages of NSPD programmes is clearly defined within credit card financial service organisations on the basis of managerial status.

P6: The type of NSPD organisational structure adopted by credit card organisations will significantly influence the perceived degree of enthusiasm and motivation of NSPD participants.

P7: The implementation of NSPD programmes within credit card organisations is dependent on the activities of a project champion or leader.

The third research issue explored the extent to which financial service organisations operating in complex and dynamic environments, monitored their environment and undertook marketing research activities in order to develop new service products. The results of this question were analyzed under nine categories or generic titles.

General Management Process Environmental Data Feed-back Operations	Monitoring Orientation Focus Forecasting
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Typical comments received with respect to this area of the in-depth interview which describe the underlying position are as follows:

"General management are trained to understand the significance of environmental data and therefore do not usually get involved in the collection of data itself"

"Without constant feed-back and involvement with day-to-day operations, the specialists can only operate from an academic base"

"Like a giant specialist and un-maneuvrable supertanker, we are proceeding towards a visible reef" - senior marketing manager

"Senior BCS managers are rarely involved in monitoring the environment, and therefore the process lacks focus and credibility"

"General forecasting has suffered a crisis of confidence over the last few years because"

From analysis of the data categories, the following propositions subsequently emerged:

- P8 NSPD business activities with respect to credit card financial service organisations include the systematic and rigorous examination of the marketing external environment.
- P9 Marketing research is a substantial business activity undertaken in the development of new service products

within credit card financial service organisations.

The fourth research issue explored whether credit card financial service organisations adopted any distinctive NSPD practices and techniques with respect to the generation of internal 'know-how' or competence co-ordination.

The results of this question with respect to internal 'know-how' or internal competence co-ordination were analyzed under fourteen categories or generic titles.

Knowledge Base Staff Training Service Definition Customer Participation Transferable Skills Performance Measurement Communication	Time Considerations New Skills Product Support Staff Status Procedures Training Impacts Head Office Infra-Structure
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Typical comments received with respect to this area of the in-depth interview which describe the underlying position are as follows:

"Clearly, staff have to be more knowledgable whilst providing a clear, fast and easy-to-understand service which enables our customers to more easily participate in the process" - product manager

"Having sold face-to-face before as a rep in a fmcg food company, I was pretty confident in my ability to survive, even make a few sales" - product manager

"At the moment we are still developing measurement systems for our staff so that performance can be recognised and good practice communicated"

"The time when we start to think about training and the development of new skills is in the very early stages of the

development of a new service product"

"A comprehensive data-base is being produced to keep track of the status of everyone's skills"

"In order to support the product, a new service department has been set up, one of its major functions will be to determine training requirements for branches"

"Training of our staff who have responsibility for credit card services is a continuous on-going process which is split into three parts, the first covers a back-track on the original system explaining the enquiry screens, the existing procedures, VDU transactions and associated admin. The second covers aspects of the new product such as procedures, how the changes impact upon the way staff action their existing work. Changes to the back-up administration, new VDU transactions, new VDU screen lay-outs, interpretation of enquiry screen information The third stage covers operational aspects of new product development such as product knowledge, operational transfer, elements of Consumer Credit Act, branch procedures and admin, service level, head office infra-structure, computer systems" - product manager.

The results of this question with respect to the development of project ownership were analyzed under eight categories or generic titles.

Relationships Shared Experience Process Sophistication Management of Change	Staff Adaptability Inter-branch Network Internal Marketing Communication
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Typical comments received with respect to this area of the in-

depth interview which describe the underlying position are as follows:

"The future for an organisation such as ours is the way we build up relationships with different departments so that staff have a common experience and vision of the future"

"Difficulties arise because people think fmcg techniques can work anywhere it takes longer - you must be sensitive to branch network, and to how quickly staff can take on board changes"

"The greatest challenge for my department lies not so much with developing more new products but in communicating our new product plans internally."

From analysis of both data categories, the following proposition subsequently emerged:

P10 Credit card financial service organisations adopt distinctive management practices to generate internal competence co-ordination with respect to NSPD activities.

The fifth research issue explored to what extent credit card financial service organisations use enabling technology in NSPD, and in particular, its influence on internal competence co-ordination in terms of service product outcomes with respect to efficiency and product improvement.

The results of this question were analyzed in two parts. The first part is under twelve categories or generic titles which explored the role of enabling technology and is presented below.

Practice and Theory Sophistication Data Base Co-ordination Relationships New Services	Change IT Interface Customer Expectations New IT Systems Customerisation Cost - Benefits
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Typical comments received with respect to this area of the in-depth interview which describe the underlying position are as follows:

"All in all, I can see within our organisation a steady increase over recent years in sophistication"

"We are working on a major project to bring together in one system all the marketing data bases"

"The new data base should help us develop new services and enable us to treat our customers more as individuals"

"We are going in the right direction, but I think we are still collecting enormous amounts of data without doing anything with it which must have some value for developing new services"

"The relationship between marketing and IT is, I think, growing in importance as we find it increasingly necessary to treat our customers more as individuals, as they expect"

"Investing in a cross-matching system has been worth the effort - as well as saving time and money, it has improved relationships with our customers."

From analysis of the data categories, the following proposition

subsequently emerged:

P11 The mass customerisation of new credit card financial service products is facilitated through the use of enabling technology

The results of the second part relating to internal competence co-ordination and outcomes, in terms of service product efficiency and improvement, were analyzed under nine categories or generic titles.

Regulations Product Knowledge Procedures Market - Customers Product Attractiveness	Competitiveness Focus Segmentation Operational Efficiency
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"One of the major benefits of the Financial Services Act is that it has sharpened up our need for goods product knowledge and good record-keeping at all levels where our customers interact with our products"

"You have to keep trying to squeeze more out of the market-place and you have to do that by making your products more attractive than others to particular segments and by constantly improving your operational efficiency"

"If systems people within our organisation understood our business better and designed what our staff really needed the first time, productivity would be substantially improved".

From analysis of the data categories, the following propositions subsequently emerged:

P12 The use of enabling technology within credit card

financial service organisations leads to a process of NSPD efficiency

P13 Enabling technology facilitates the development of NSPD internal competence co-ordination through a process of exchange of skills and experience

The Survey study

6.3 Research Issue One:

The Need to Accelerate Credit Card New Service Product Development Process

This section presents the results of the survey field study, which examines the time dimension associated with the NSPD process with particular reference as to whether there is a need to accelerate the NSPD process with respect to credit card financial service products.

On the basis of the empirical results derived from the case field study, together with arguments presented in (Chapter Two and Chapter Four) relating to the proposed new NSPD model for financial services, the working propositions P1 and P2 were examined.

An underlying, but fundamental question that the study also attempted to address was why, if credit card financial service organisations needed to accelerate NSPD, did they risk their corporate name on the success or failure of new service products when their intellectual property is difficult to protect. Clearly, as discussed in Chapter Two, new credit card financial services cannot be patented, and the 1986 Financial Services Act compels credit card organisations to reveal information about

service characteristics including service product design, allowing or enabling competitor credit card organisations to "free ride" on new service product development to create imitative or "me too" service products. It could therefore be expected that if new service product development is going to be a profitable business activity for credit card organisations, then the cost of being an NSPD innovator or pioneer needs to be offset by the enjoyment of some additional benefits. These benefits are normally described in the marketing literature of those of the first mover advantage or pioneer (Urban and Hauser 1980). This equates, in essence, to the context by which credit card financial service organisations' profits can be expressed, as the price or charge of the service less operational production costs multiplied by the use or take-up quantities of the service product, (price minus cost X quantity) (Pavel and Binkley 1987). Consequently, credit card organisations might be expected to obtain first mover advantage in one of three forms. Firstly, higher prices or charges for its services. Secondly, lower costs primarily through economies of scale or thirdly, through larger sales quantities or service take-up ie., card service usage than those experienced by other credit card organisations that merely imitate.

It was evident from initial discussions with senior marketing managers, that this type of equation did not capture all the benefits from NSPD. It was strongly argued by virtually all interviewees that NSPD benefits "spill over" into various related business activities of the organisation. A number of questions addressed whether prime movers in terms of credit card new

service product development enjoyed any short run or long lived pricing advantage which they could demand for their service products. Traditional marketing theory would normally suggest that in the short time horizon, NSPD prime movers or pioneers might be able to charge higher prices (charges) prior to the entry of competitor credit card organisations than after they faced competition. Similarly, in the longer period it could be argued, even once they faced competition, credit card NSPD prime movers or pioneers of differentiated service products might be able to charge higher prices than financial service product imitators. Schmalensee (1982), argues that if a new product quality can be ascertained only through direct experience, consumers will pay more for known quality, thus enabling primemovers or pioneers to command higher prices than imitators. The research findings, based on in-depth discussions with senior marketing managers, as part of the survey study, found no qualitative evidence of short or long-term pricing advantage in developing new financial services to be first in the market place. In fact, the results based on this qualitative research would suggest the opposite. When competitor credit card financial service products appear, NSPD prime movers or innovators tend to charge less not more, than competitor imitators. Lower pricing or charges may reflect a conscious decision by credit card organisations to reduce profit contribution, and the adoption of a penetration pricing strategy in order to encourage participation of customers who may be reluctant to experiment with unfamiliar financial service products and benefits. It is argued that charging a lower price

is consistent with NSPD prime movers or pioneers adopting a strategy of a low cost producer and passing on to the consumer at least part of the lower costs of doing business (Chapter Two).

Senior marketing managers were also asked a number of questions in order to determine whether there was any qualitative evidence that would support the proposition that credit card organisations in terms of NSPD who were prime movers or pioneers, enjoyed short run or long lived quantity advantages by developing more new or modified service products than competitor imitators. These managers were also asked to what extent new service products generate more revenues than they cost to produce and as a consequence, did developing more new financial service products faster than competitors give prime movers or pioneers significant competitive benefits. The research findings based on an analysis of published secondary data relating to modified existing credit card financial service products launched over a three year period between 1985 and 1988, showed that a complete absence of competitor activity is rarely enjoyed by prime movers or pioneers of credit card financial services. On average, competitor credit card organisations entered the market with an imitative service product within about seventy days. In general, from the results of the secondary data it is suggested that either competitors quickly imitate the service product offerings of a prime mover or pioneer, or the credit card service product fails to be extensively adopted in the market place, and is subsequently withdrawn by the issuer. Although the research results would suggest rapid imitation of credit card financial service products

is the norm, it seems from observation that in contrast, financial credit card products designed to meet a particular set of issuers or customer needs, such as affinity cards, are copied less frequently by competitor organisations, most likely because of their limited demand, (Chapter Two).

All senior marketing managers in the survey study agreed during the in-depth interviews that speed of NSPD did not normally enable credit card organisations to charge higher prices for their service products. However, managers commented that other NSPD benefits with respect to the speed of new service product development extend into various other related business activities of the organisation. In order to explore this area in greater depth, interviewees were subsequently asked a number of further questions which attempted firstly to determine whether or not their organisation had experienced a need to reduce the time period for the development of either new or modified service products since 1981 and secondly, if they had why. Surprisingly, a very high proportion of the managers interviewed stated 'Yes' (90%). In response to the question 'why,' a range of answers was given. These answers were subsequently offered as a range of options in a similar question included in the survey study using the self-administered questionnaire.

The results of the questionnaire survey are recorded in Table 6.1. The majority of interviewees and questionnaire respondents indicated that the need to accelerate the NSPD was substantially more important with respect to modifying existing service products than with respect to radically new service products. The main reason given for accelerating NSPD in both studies was

competitive pressures and the need to maintain and manage service portfolios in the market place in order to maintain market share.

Other reasons included:

- * a need to meet organisational corporate growth objectives.
- * changing customer behaviour with respect to use and attitude to credit card service products.
- * the effect of technological change within the industry
- * changing consumer life cycle characteristics and a need to maintain its service position in terms of service newness ; this factor was seen by a high proportion of managers as associated with maintaining market share.
- * management pressures which tended to decrease the time available for carrying out NSPD activities, were indirectly responsible for accelerating the process activities.

Credit card product managers in a related question, were asked to indicate the importance of the role of senior managers in facilitating the "speeding up" of new service product development activities. The results were collected on a questionnaire, using a five point scale with polar extremes of "a great extent" at one end with a measure of "to no extent" at the other, and are recorded in Table 6.2. Also, interviewees and questionnaire respondents were asked to identify where possible, whether some managers (defined by business functional area responsibility) play a greater part in "speeding up" the NSPD process within their organisation. The results of the questionnaire respondents are recorded in Table 6.3. The results as shown in Table 6.2 indicate that credit card organisation product managers perceive

that a strong relationship exists between the "speeding up" of new service product activities and the role of senior managers.

Reasons to Accelerate New Service Product Development
* Increased Competition (70%)
* Organisational Corporate Growth Objectives (55%)
* Changing Customer Behaviour (47%)
* Technological Change (39%)
* Service Product Life Cycle Characteristics (29%)
* Senior Management Pressure (25%)

Table 6.1 Assessment of the need to accelerate the NSPD process with respect to credit card financial services

Note: Percentages are rounded and based on the responses of 49 participants

To a great extent =1			To no extent =5	
1	2	3	4	5
Number of Respondents 8 (32)%	14 (56)%	2 (8)%	1 (4)%	0 (0)

N=25 Mean 1.79

Table 6.2 A rating scale of product managers perceptions of role of senior management in facilitating the "speeding up" of new service product activities

Business Functional Area Staff
* Information Technology Services 74%
* Operational / Systems Support Services 56%
* Personnel 48%
* Marketing 34%
* Finance 21%

N=25

Table 6.3 Business functional area staff associated with an ability to "speed up" NSPD in credit card organisations

The results would suggest that senior managers play a major role in setting the climate for NSPD activity within a business functional area or the organisation as a whole. The results of the study relating to business functional area staff who are associated with an ability to "speed up" NSPD in credit card organisations, would indicate such persons tended to be found in the operational side of the organisation, in particular from information technology services and the operational support services area. A little surprising was the low levels of association with respect to the marketing business functional area in terms of individual staff members facilitating the "speeding up" of NSPD business activities. To some extent this can be explained in terms of the stages in the NSPD process in which the marketing business functional area were most involved, which tended to be at the creation stage and the diffusion stage (4.13). Also many of the NSPD activities were seen as operational in nature and therefore outside the traditional responsibility of the marketing business area.

6.3.1 New Service Product Development Delay

In order to gain another perspective of the time dimension of the NSPD process, this study presents the results of a study which attempted to examine factors which influence the speed, or caused a delay in the process.

The most frequent reasons given for new service product delay by questionnaire respondents are reported in Table 6.4. A poor or limited understanding of new service product definition, (73%) was a factor given by a high proportion of respondents. This

aspect especially was identified in the in-depth interviews as being particularly significant with respect to the identification of customer needs. This factor was highlighted in an internal paper to senior marketing managers about the lessons to be learnt from a recent NSPD programme, by a director of a large credit card financial services organisation who stated that: "The product definition and planning phase is a critical one, which should always be performed thoroughly and not sacrificed in order to achieve real or imaginary deadlines. This is particularly important on projects which are complex, or use new technology, or are moving into areas where we have limited knowledge and experience".

Organisational problems arising from the interface relationship between the various business functional areas, particularly in terms of communication was also commonly cited in the in-depth interviews as a reason for delay, with 65% of the questionnaire respondents in agreement. This factor also contributed to the difficulty in defining actual service requirements and service design.

The next largest group of related comments, and which received a 58% agreed response in the questionnaire survey, identified a lack of senior management support for new service product development, particularly at critical stages in the NSPD process. The majority of these and related comments were made by product managers. "A low priority given to NSPD projects" was a common statement frequently made by this group of managers. Similar related comments were also made about risk averseness, and the

short term orientation of senior management with respect to NSPD and innovation in general. Likewise, comments were made which related senior managements' attitudes to NSPD, to the organisation's conservative culture.

Lack of resources was the third largest group of comments received which were given as reasons for NSPD delay. The majority of interviewees indicated that although financial resources were generally very good, availability of human resources and a lack of time were common problems. Some of the questionnaire respondents also made mention of the attitudes of senior management which, it was stated, tended to focus primarily on day-to-day operational business tasks. A number of project managers, (11% in the questionnaire survey), considered that senior management gave new service product development only superficial importance. The need to use experienced staff was identified by 16% of the respondents as part of the general human resource problem. A common statement made by interviewees was that the more experienced managers were frequently too busy dealing with operational business tasks to become actively involved in NSPD. Difficulties in recruiting specialist staff to facilitate NSPD were identified by 20% of the questionnaire survey respondents, particularly with respect to the final stages of NSPD in terms of the internal diffusion of the programme within the organisation.

Project management was the fourth largest area considered by interviewees and the questionnaire respondents, (47%), as attributable to NSPD delay. The study highlighted a number of specific reasons, which caused a delay in NSPD activity. These

included:

- * poor team and cross business functional area communication and management practices, (28% in the questionnaire survey)
- * a lack of clear and explicit channels of project and programme responsibility, (23% in the questionnaire survey).
- * limited systematic monitoring system to control and evaluate project progress, (20% in the questionnaire survey).

Overall, less than 30% of the managers interviewed were satisfied with project management relating to their organisation. A substantial number of managers commented that their credit card organisation was not effectively incorporating the concepts of efficient project management into the NSPD process. Managers frequently commented that their organisation had a tendency to place emphasis on sequential results rather than on simultaneous NSPD activities. Other managers commented that their organisation often attempted to take short cuts to expedite operational systems, resulting in short term gains at the expense of future delays. The majority of managers acknowledged the need for better project systems management processes; tools and training needed to be integrated into the service product development process to co-ordinate business activities. Managers also identified the fact that their organisations' value-system resulted in NSPD delay problems. It was argued that a values driven organisational culture was needed to achieve successful project management and a more rapid NSPD process, (18% in the

questionnaire survey). Comments such as "Our organisation needs to practise more of what it says and demonstrate the values of co-operation, teamwork and collaborative behaviour" were common. Likewise, a number of managers commented in the in-depth interviews that top management needed to act as a sort of role model for the various business functional areas of the organisation. Managers considered this would result in a more integrated, team-orientated new service product development process.

Reasons for New Service Product Development Delay
* interface communication and relationships with other business functional areas (65%)
* difficulty in service product definition (55%)
* lack of human resources (50%)
* project management difficulties (47%)
* lack of senior management support (35%)
* no clear channels of communication and responsibility (23%)
* difficulty in recruiting specialist staff (20%)
* limited project monitoring systems (20%)
* limited Organisational Value System (18%)

Table 6.4 Assessment of delays in the NSPD process with respect to credit card financial Services

Note: Percentages are rounded and based on the responses of 49 participants

The results from this study, as indicated in Tables 6.3 and 6.4 suggest that there are a number of factors both at the strategic and business level that credit card organisations need to consider in order to accelerate the NSPD process.

Overall, the results of both studies, particularly as indicated

in Tables 6.1, 6.2, and 6.3, are consistent with P1 and P2 which suggest that time is an important dimension with respect to the development of new credit card financial services. It is evident that at the business level, these results have particular implications in terms of the way organisations are structured to perform and implement NSPD activities.

6.4 Research Issue Two: Credit Card Financial Service NSPD Organisational Structure

This section is a presentation of the results of that part of the survey study which explored how financial service organisations were organised in terms of their structure and people in order to implement the development of existing, bundled and radically new financial services.

On the basis of the empirical results derived from the case field study, together with arguments presented in Chapter Two and Chapter Four relating to the proposed new NSPD model for financial services, the proposition P3: was examined.

Senior marketing managers in the questionnaire survey, were asked to identify from a list and description of five project management organisational structures, which best fitted and described the structure most frequently used by their organisation to develop credit card financial service products. As can be seen from Table 6.5, the majority of questionnaire respondents considered that either the project matrix (37%) or a balanced matrix (25%) organisational structure was the most commonly used or best described their organisation's position.

Organisational Structure	n	%
Functional	1	5
Functional Matrix	3	12
Balanced Matrix	6	25
Project Matrix	9	37
Project Team	5	21

N=24

Note: Percentages are rounded and based on the response from 24 organisations

Table 6.5 Organisational structure NSPD credit card services

Data was also collected from senior marketing managers in the questionnaire survey using a five point, four item scale of their evaluation of a recent new credit card financial service project undertaken by their organisation in terms of its success in meeting specific performance indicators or targets:

- * meeting NSPD time schedules/project target dates
- * controlling NSPD project costs
- * customer service product requirements
- * achievement of corporate objectives with respect to NSPD

Table 6.6 reports the results of this question for each measure corresponding to the NSPD organisational structure.

6.4.1 Meeting Project Target Dates and Time Schedules

The research results showed that credit card organisations using the project team or the project matrix NSPD organisational structures, achieved the highest mean score in terms of success with respect to meeting time schedules and project target details, (1.60 and 1.77 respectively). Users of the balanced matrix organisational structure, showed a slightly higher score rating than those of the functional matrix and functional

structures, (3.16, 2.66 and 3.0 respectively).

Organisational Form: F= Functional FM= Functional Matrix BM= Balanced Matrix PM= Project Matrix PT= Project Team	F	FM	BM	PM	PT
Performance Measure:	Mean Score 1= on target 5= off target				
Meeting schedules / target dates	3.0	2.66	3.16	1.77	1.6
Controlling costs	2.0	2.3	1.33	1.44	1.60
Customer service / product requirement	3.0	3.0	3.50	2.33	2.4
Achievement of corporate service / product objectives	2.0	2.33	2.33	2.33	1.40

N= 24

Table 6.6 Mean score rating of senior marketing managers perceptions of their organisations success in meeting specific NSPD measures

The study would tend to indicate that the project matrix and project teams had a lower rate of unsuccessful NSPD projects compared to functional, functional matrix and balanced matrix structures.

6.4.2 Project Cost Control

The mean score ratings given for cost control corresponding to all five organisational structures were uniformly slightly higher than those given for the previous indicator: meeting NSPD schedule target periods. Credit card organisations using a project matrix structure showed a marginally higher score than those using the project team structure, (1.44 and 1.60 respectively). Organisations using the balanced matrix structure showed the lowest target score compared to the project matrix and

the project team structure. In the case of organisations using the functional matrix or the functional organisational structure, neither appeared to control its costs quite as well as the other organisational structures used for NSPD in terms of controlling costs.

6.4.3 Customer Service Product Requirements

A similar pattern of results relating to this indicator was obtained as with the previous indicator. There were minor differences in score ratings between the on target success rates of the project matrix structural group and the project team organisational structure groups. Likewise, the balanced matrix, functional matrix and functional organisational structures all showed lower success score ratings. In the case of credit card organisations using a project matrix structure and a project team structure for NSPD, there was little difference in score rating, (2.33 and 2.40 respectively). However, in the case of a balanced matrix, functional matrix and functional, the on target score rates were lower, 3.5, 3.0 and 3.0 respectively. Because the NSPD indicator: corporate service product objectives, was extremely broad and complex, it was expected that its interpretation by respondents would therefore be varied. Surprisingly however, the results still tended to show a general similarity in pattern to those of the previous indicators. Organisations that indicated that they used either a project matrix or a project team with respect to new service product development activities, still gave marginally lower score results than those using other structures. The results are reported in

Table 6.6.

Analysis of all these results requires some considerable care due to the statistical problems of dealing with small numbers and the possible variations in the interpretation of the terms "on target" and "off target" by respondents. However, this aspect of the study does demonstrate a fairly consistent pattern of results across all the four project performance indicators. The project matrix and project team organisational structures used for NSPD by credit card financial service organisations showed a general tendency of higher overall results (lower scores) than the other structures. The functional and functional matrix organisational generally gave a higher score rating. The balanced matrix organisational structure was slightly better, particularly its score rating in terms of controlling costs. In order to examine the effect of some of the situational factors that could mediate the effectiveness of different organisational structures, the complexity of the project was examined (Chapter Four, 4.2). Questionnaire respondents were asked to evaluate their answer to the previous question in terms of the project's complexity or difficulty, relative to day-to-day operational activity. A five point scale ranging from very complex to low complexity was used to record the result.

The research results with respect to each organisational structure according to whether the NSPD projects under consideration were high or low in complexity, are reported in Table 6.7.

Surprisingly, 60% of the NSPD projects were rated as not very complex. Given the inherent complex nature of financial service

products, this result could indicate that a high proportion of the projects under consideration by the respondents were modification or bundling of existing credit card service products.

NSPD Organisational Structure	Project Complexity Rating Scale: 1=low 5=High Mean Score
Functional	2.0
Functional Matrix	2.3
Balanced Matrix	3.2
Project Matrix	3.0
Project Team	3.0

N=24

Table 6.7 Mean score rating of the complexity of NSPD credit card projects and organisational structure

The study results indicate that project team organisational structures tended to be more successful in completing NSPD projects of high complexity, than other organisational forms. Both the functional and the functional matrix organisational structures still tended to give lower score results. The data gives some evidence that the project matrix structure could be more successful in managing projects of low complexity, and shows a similar pattern of results to the project team structure, when dealing with NSPD projects of high complexity.

In order to gain a further insight into the suitability of different NSPD organisational project structures, questionnaire respondents were first asked on the basis of their recent experience, to comment on whether they would recommend that their organisation should change its present structure to another. The

results are reported in Table 6.8.

Recommendations for change in NSPD organisational structure		
Present NSPD Structure(number of organisations)	Remain the same	Proposed New NSPD Structure
Functional (1)	1 (100%)	Same
Functional Matrix (3)	1 (33%)	1 (Project Matrix) 1 (Balanced Matrix)
Balanced Matrix(6)	3 (50%)	3 (Project Matrix)
Project Matrix (9)	7 (77%)	1 (Balanced Matrix) 1 (Project Team)
Project Team (5)	4 (80%)	1 (Project Matrix)

Table 6.8 NSPD organisational structures

Note: Total number of participating organisations = 24

As can be seen from Table 6.8 the number of respondents who considered that the organisational structure used for NSPD should remain unchanged was particularly high in the case of project matrix (77%), and project team groups (80%). Senior marketing managers who were reporting on NSPD projects using a functional organisational structure, recommended no change in structure. Similarly, one respondent using a functional matrix organisational structure also recommended no change. Respondents whose organisations used a balanced matrix organisational structure for NSPD, seemed to be most dissatisfied with the existing structure with 50% of the respondents recommending change. In no cases did questionnaire respondents indicate a change in organisational structure with respect to NSPD which resulted in less control for the project manager. Overall, the organisational structure used for NSPD which received the highest

recommendation was the project matrix structure with 62% (5 respondents) of the total sample. The balanced matrix organisational structure achieved the next highest number of recommendations 25% (2 respondents). The project team structure was third with 12%. Neither the functional nor functional matrix organisational structures received recommendations from respondents as being the best organisational structure to use to complete a NSPD project.

The interview findings gave some additional information with respect to NSPD organisational structures. The need for organisational structures to be flexible to enable numerous NSPD projects to be managed at the same time was a recommendation received from 21 of 29 participants, (72%). A high proportion of this group of senior marketing managers also commented that they considered that the conceptual matrix project management structure worked well when only one new service product development project was being managed. However, they indicated that they considered this structure tended to have a number of administrative problems when used to co-ordinate multiple NSPD activities. In order to explore NSPD organisational structure in further depth and at a different level within organisations, product managers in the questionnaire survey were also asked for their opinions, in particular about the extent to which they considered that their organisation had the 'right' organisational structure at the operational level, in order to facilitate the adoption and implementation of new service products (in terms of people with respect to effectiveness and efficiency). The results were recorded on a five point scale with polar extremes ranging

from a great extent , to no extent and are reported in Table 6.9.

<u>Scale:</u> To a great extent =1 To no extent =5				
1	2	3	4	5
Number of Respondents				
0 (0) %	2 (8) %	16 (64) %	5 (20) %	2 (8) %

N=25

Mean Score 3.2

Table 6.9 A rating scale of product managers' perception of whether the present organisational structure facilitates at the operational level, the adoption and implementation of new service products

As can be seen from Table 6.9, the majority of product managers in the questionnaire survey perceived that at the business or operational level, organisational structure for NSPD was limited in terms of the extent to which it facilitated a process of efficiency and effectiveness. A mean score of 3.2 was recorded. An inference that can be drawn from these results is that a gap exists between the articulation of NSPD operational structure at the strategic level within an organisation and at the operational or business level. In other words, a description of NSPD structure needs to give reference to the management level within an organisation. Product managers were also asked in the questionnaire whether they considered some business functional areas were better structured and organised in this respect than others and were invited to indicate which area that was. In addition, these managers were asked which business functional area they perceived as the least well-structured and organised with respect to new service product development. The results of this aspect of the study are reported in Table 6.10.

Business Functional Area			
Well structured and organised NSPD		Poorly structured NSPD	
Information Technology	44%	Personnel	28%
Operations Support Services	36%	Marketing	24%
Finance	32%		

N=25

Table 6.10 Assessment of the extent to which product managers considered some business functional areas are better organised than others with respect to NSPD activity

From the results shown in Table 6.10 it is difficult to draw any substantive inferences, however the results do give some evidence that some differences may occur in terms of NSPD organisational capability between different business functional area at the operational level.

In drawing inferences from this part of the research, it is necessary, as earlier identified, to recognize the limitations of this study. To some extent, the collection of data in this part of the study. From discussions with senior managers, it was clear that the NSPD process was a dynamic process, and that it was not unusual during NSPD for different NSPD structures to be adopted as different time periods through the project life.y does not fully reflect this position, since respondents were basically asked to identify the main or primary structure adopted by their organisation to undertake NSPD activity. Also, the marketing measure success was examined from the dimension of the project. Because of the confidentiality and sensitivity of commercial data

relating to the credit card organisations, information as to the actual commercial success was not available. Likewise, the measure of NSPD project complexity is one of a number of situational factors that may impact on the effectiveness of different NSPD structures. Given this position, a number of inferences can be drawn. Firstly, the research data would suggest that the balanced matrix, project matrix and project team all demonstrate relatively high success scores. Secondly, the data would indicate that the other NSPD organisational forms, functional and functional matrix were generally less successful. Thirdly, examination of the data relating to NSPD complexity found no appreciable differences in terms of success rates between the NSPD organisational structures adopted. There was an indication that the project matrix and project teams appeared to deal more successfully with more complex NSPD activities. However, given the situation that the majority of NSPD projects under consideration were not regarded by credit card organisations as complex, it could be argued that it would be prudent not to draw too many conclusions from this area of study. No substantial support or evidence was found to indicate that the functional NSPD organisational structure or the functional matrix NSPD structure was more effective for projects of less complexity. Fourthly, the results when comparing actual NSPD structure and recommended NSPD structure, indicate that a strong relationship exists between project leadership and NSPD organisational structure. This inference is drawn from the support given for the project matrix structure and to a much lesser extent, the NSPD project team structure.

The results as indicated in Tables 6.6, 6.7, 6.8, 6.9, and 6.10, refute P3, that credit card financial service organisations are likely to adopt a common NSPD structure based on a functional type of structure. The project matrix and the project team structures were more frequently adopted than the other organisational structures. The research study results would indicate that these NSPD structures also tended to exhibit better project success rates, and there was also some evidence that these two structure types facilitated more complex NSPD projects. The study results did not generally support the proposition that the functional and the functional matrix NSPD organisation structures were more effective with respect to either complex or less complex projects. As indicated in Table 6.9, the results also indicate a preference by credit card managers for a NSPD structure that facilitated a project leadership or champion, and this support was particularly evident with respect to the project matrix type of structure.

6.4.4 People Involved in NSPD Credit Card Activities and Organisational Structure

This part of the study presents the results relating to people and their role in NSPD with respect to credit card organisations and organisational structure. The study attempts to identify the status, and staff resources together with the general nature of people within the credit card organisation that are currently involved in new service product development. The study also explored the political influence in terms of business functional area capability to influence NSPD business activity, and the extent of responsibility of individual staff for aspects of NSPD.

On the basis of the empirical results derived from the case field study, together with arguments presented in (CH 2 and CH 4) relating to the proposed new NSPD model for financial services, the working propositions P4a, P4b, P5, P6 and P7 were examined.

The history and the foundation of marketing within credit card organisations was explored primarily both by means of the in-depth interviews and also through the questionnaire survey. Table 6.11 shows the range of the number of staff and status in terms of marketing qualifications, working within the marketing business functional area with responsibility for credit card financial services.

Marketing Staff	
Number of executives	1 - 56 staff
Number of clerical, support staff	0.5 - 21 staff
Percentage of marketing staff with formal marketing qualifications (business degree, Diploma of Chartered Institute of Marketing)	0 - 100% average approx 25%
Percentage of marketing staff with marketing business experience obtained from outside the financial service sector	0 - 30% average 14%

N=24

Table 6.11 A summary of credit card organisation marketing staff status

The results summarized in Table 6.11 report the results of the questionnaire. Analysis of the results of the face-to-face interview which examined the same question area, indicate as somewhat to be expected, that the small credit card organisations in market share terms tend to have only a few marketing

management executives dedicated to credit card financial service products. (One organisation reported it had one executive staff member who was supported by the equivalent of half a full time clerical staff member. In the case of the large credit card organisations in market share terms, they reported as having approximately fifty or more dedicated credit card financial service marketing executives who were supported by approximately twenty-one or more marketing clerical support staff. The percentage of marketing staff with formal marketing qualifications (business degree, Diploma of the Chartered Institute of Marketing), was generally very low. In the case of the very small credit card organisations (in market share terms), it was not uncommon that no marketing executive had formal marketing qualifications. However, in the case of medium sized organisations, (in market share terms), with between ten to sixteen dedicated marketing executives, forty per cent had marketing professional qualifications. In the case of the very large credit card organisations (in market share terms), the number of staff reported as having such qualifications was thirty per cent.

A similar set of results was obtained with respect to the percentage of marketing staff with business experience obtained from outside the financial service sector. On average, only fourteen per cent of marketing staff in the questionnaire survey were reported as having worked in another commercial or industry sector. An inference that could be drawn from this data is that marketing staff recruitment generally takes place internally within credit card organisations. However, in the face-to-face

interviews with senior managers, it was commonly reported that all recent new staff to the marketing business functional area tended to come from outside the traditional financial service industry. In fact, one senior marketing manager commented that "We want to establish a marketing team with a culture which matches the culture of the organisation as a whole. We feel the best way to achieve this is through our own staff. It may be at a later stage that we feel able to recruit from outside, but we have not yet reached that stage." Given the relatively small number of dedicated credit card marketing staff, the influence of external marketing management business practice may well be slow to permeate credit card organisations.

Table 6.12 reports the results of the questionnaire which relates to the time period relative to other credit card departments of the establishment of the marketing business functional area. On the basis of data collected from the face-to-face interview process, it would appear that in the case of large market share credit card organisations, the marketing business functional area was established around the same period as other business functional areas. In the case of the smaller market share credit card organisations, the data would suggest that these were formed at a later period and possibly reflected reactive decision-making, in terms of adopting a service product line gap-filling business strategy.

The perceived importance of the marketing business functional area relative to other functional areas in terms of its political strength to influence business planning activities and in particular, new service product development, was measured in the

questionnaire on a five point scale, and is reported in Table 6.13. Respondents were also asked to identify business functional areas which they considered to have the least political influence on NSPD planning activities. The results are recorded in Table 6.14.

Establishment of the business functional area marketing relative to credit card business functional areas	Time Period		
	Same period	marginally later	Subst later
	12 (50) %	8 (33) %	4 (16) %

N=24

Note: Percentages are rounded and based on the response from 24 organisations

Table 6.12 Establishment of the business functional area marketing within credit card organisations

Scale: High =5		Low =1		
5	4	3	2	1
Number of Respondents 5 (21) %	10 (42) %	7 (29) %	1 (4) %	1 (4) %

N=24

Mean 3.71

Table 6.13 A Rating scale of senior marketing managers' perceptions of the importance of the marketing business functional area in terms of its political strength to influence business planning activities

As shown in Table 6.13, the majority of respondents considered that the marketing business functional area had significant strengths in terms of its political position to influence business planning activities. An inference that can be drawn from this data is that this influence would also extend to those business planning activities which determine NSPD activity.

However in the case of the smaller credit card organisations (in market share terms), it was generally reported that the marketing business functional area was relatively weak. In contrast, as shown in Table 6.14, the business functional areas of information technology services, and operational systems support which were both reported as achieving relatively high score ratings in terms of effectiveness and efficiency with respect to NSPD organisational structure, an ability to speed up NSPD was considered by a majority of questionnaire respondents to have the least political influence on new service product planning activities. On the basis of the in-depth interviews, a possible explanation for this position are the socio-cultural differences between the different business functional areas. These socio-cultural differences could well be characterised by a more internal business functional area focus in terms of the organisation's business activities.

Political Influence (least) Business functional Area	Frequency	%
Information Technology Services	14	58
Operational Systems Support	11	46
Personnel	10	42
Branch Service Support	6	25
Merchant Service Support	6	25

Note: Percentages are rounded and based on the frequency responses of 24 participants

Table 6.14 Business functional areas considered to have the least political influence on new service product planning activities

Senior marketing managers were also asked in the questionnaire survey to indicate their organisation's position with respect to

the use of staff resources for NSPD activities, in particular, whether participants in NSPD projects were drawn from a variety of business functional areas, or just one part of the organisation. The issue of project team leaders was further explored in relation to whether such persons selected their team members, and the reliance on external consultants. The results are recorded in Table 6.15.

Scale : 1 =To a great extent 5 =To no extent	1	2	3	4	5
Staff Resources - NSPD Activities	Number of Respondents				
Staff are recruited from a variety of business functional areas	9	6	6	2	1
NSPD Project team leaders select team members	8	5	4	3	4
NSPD team members usually have substantial NSPD previous experience	0	6	6	7	5
External consultants are used as substantial resource	11	10	0	1	2

N=24 Mean(s) 2.16, 3.45, 2.60, and 1.87 respectively

Table 6.15 A rating scale of senior marketing managers' perceptions of the use of staff resources in NSPD activities

As shown in Table 6.15 above, the majority of credit card organisations tend to recruit staff for NSPD activities from a variety of business functional areas. The results also indicate that the actual selection of staff for NSPD activities is strongly influenced by the project leader or co-ordinator and that team members usually have previous NSPD experience. Senior marketing managers were asked to indicate both through the questionnaire, and the face-to-face interviews a series of questions to indicate the status of staff primarily used at

different stages in the NSPD process. Questionnaire respondents were asked to rank in terms of perceived importance or significance specific levels of management, in terms of their overall contribution to the successful completion of various NSPD stages. The results of the questionnaire survey are reported in Table 6.16. The results from the survey not unexpectedly, indicated that both senior executive and senior managers are strongly associated with the successful completion of the early stages of the NSPD process and least associated with the final stages. Likewise, middle management and operational staff, are most strongly associated with the successful completion of the final stages in the process.

	Senior executive	Senior manager	Middle manager	Operational staff
Early stage of NSPD	1	2	3	4
Middle stage of NSPD	4	1	2	3
Final stage of NSPD	4	3	1	2

N=24

Table 6.16 A ranking of the perceived importance of staff within credit card organisations related to their overall contribution to the successful completion of specific stages in the NSPD process

This area was explored in further depth in the questionnaire survey in order to determine the contribution to specific stages in the NSPD process made by marketing managers and product managers. The results are reported in Table 6.17. Generally, the results would indicate that both groups of managers perceived that they made an equal contribution to the five listed NSPD

stages. However, the results of this question also tended to support the position that senior management are strongly associated with the successful completion of the early stages of the NSPD process.

Stage in the NSPD process	Senior marketing Manager N=24		Product marketing manager N=25	
	n	%	n	%
Initial planning stage	24	100	14	56
Service / product design stage	24	100	16	64
Service / product testing stage	23	96	20	80
Service / product launch	20	83	22	88
Internal training	16	67	17	68

N=49

Table 6.17 Assessment of senior marketing managers' and product marketing managers contribution to the NSPD process

The importance attached to NSPD activity relative to the day-to-day operational programmes by product marketing managers was measured in the questionnaire survey using a five point scale. The results are reported in Table 6.18. Surprisingly, only one respondent considered NSPD very important, the majority of managers tended to take a moderate position with a mean score 3.68 which tended to indicate the importance of short term marketing objectives. In a related question, senior marketing managers were asked to indicate the amount of time they spent on new service product development activities and whether they considered more or less time should be spent on these activities. The results of the questionnaire survey are reported in Table 6.19.

indicate their position using a five point scale, and these results are reported in Table 6.20.

<u>Scale:</u> 1= High 5= Low	1	2	3	4	5
Marketing Mix Element	Number of Respondents				
Price	3		4	8	10
Place		2	3	6	14
Promotion		2	3	10	10
Product/Service	2	5	10	6	2

N=25 Mean 3.88(price), 4.28(place), 4.12(product), and 3.04(promotion)

Table 6.20 Assessment of the extent of a product managers' responsibility with respect to elements of the marketing mix and NSPD

Analysis of the results relating to the above question area requires some considerable care, due to the interpretation of the marketing mix terms, within the context of credit card financial services. The results of this part of the study showed that only three product managers had substantial responsibility for the price component of the service product mix, with a mean score of (3.88) being recorded. In the case of the place component of the mix, some attention needs to be given to the interpretation of the results given that this element is frequently used to describe the customer service component. The results for this component generally indicated limited responsibility with the highest mean score (4.28). The promotion part of the mix gave a mean score slightly lower (4.12), which tended to indicate that substantial responsibility for implementation of the service product communication, was with outside advertising agencies for the majority of credit card organisations. The product service

component of the mix had the lowest mean score (3.04) which tended to indicate that this area was a more important area of responsibility to product managers.

Product managers were asked a series of questions in the questionnaire survey to determine whether they had any responsibility for developing added service product bundles to existing service products, also in what area of marketing management this was. The results are reported in Tables 6.21 and 6.22 respectively.

Development of added value service benefit bundles	n	%
Substantial responsibility (yes)	16	64%
Very limited Responsibility (no)	6	25%

N= 25

Note: Percentages are rounded and based on the response from 25 organisations

Table 6.21 Number of product managers with responsibility for developing added service bundles to existing service products

As shown in the above table, a high proportion of product managers considered that they had substantial responsibility for the development service product bundles or value-added services with respect to credit card service products. Likewise, the main area of this responsibility tended to be in the area of planning and internal training.

The final part of this area of study reports in further depth the relationship of credit card NSPD team membership, and NSPD organisational structure.

Area of Responsibility	n	%
Planning	18	72
Design	14	56
Marketing Mix	14	56
Internal Training	20	80

N= 25

Note: Percentages are rounded and based on the response from 25 organisations

Table 6.22 Assessment of product managers' responsibilities in terms of business area with respect to service product bundle development

A high proportion of senior marketing interviewees and questionnaire respondents, 18 (62%), considered team membership and team-building was extremely important, and that any NSPD organisational structure needed to facilitate this process at a number of levels within the organisation. Likewise, most interviewees considered that membership of any team should be determined largely by voluntary compliance as against by edit. Both interviewees and questionnaire respondents considered whether there was a role for a key individual such as a project champion or leader, in the development of credit card financial service products. Table 6.23 reports the results of the questionnaire survey with respect to this aspect of the study. From table 6.23, it can be seen that a very high proportion of senior marketing managers (75%), considered that there was a relationship between project success and project leadership or project champions. A further insight into this area was gained by asking questionnaire respondents to evaluate a number of recent NSPD credit card projects that their organisation had recently undertaken, in terms of the significance of any

individual contribution made by a project champion or equivalent, to its success. A five point scale was used to record the data. In order to examine this issue further, responses were bifurcated according to respondents' position "yes" or "no" to the previous question. Table 6.24 reports the results.

Present NSPD Structure	Need for a Project Champion or Leader		
	Agree (Yes) n %	Disagree n %	Do not know n %
Functional	1 (100%)	0	0
Functional Matrix	2 (66%)	0	1 (33%)
Balanced Matrix	4 (66%)	2 (33%)	0
Project Matrix	7 (77%)	1 (16%)	1 (16%)
Project Team	4 (100%)	0	0

N=24

Note: Percentages are rounded and based on the response from 24 organisations

Table 6.23 Need for a NSPD project leader/champion

Extent of individual contribution to NSPD success 1= High 5=Low <u>NSPD Structure</u>	1	2	3	4	5	Mean
Functional			1			3.0
Functional Matrix			1	1	1	4.0
Balanced Matrix		2		2		3.0
Project Matrix		3	2	2	2	3.3
Project Team			2	2		3.5

N=24

Table 6.24 A rating scale of senior marketing managers' perceptions of the extent / significance of an individual staff members contribution to NSPD success in terms of a role of a project champion

Not surprisingly, those senior marketing managers that had previously indicated "no" or "did not know", also indicated a particularly low score in terms of the significance of a project champion to NSPD success with respect to credit card services. However, in the case of questionnaire respondents who had previously indicated a positive position with respect to a product leader or product champion being associated with NSPD success, the score rating was still relatively low. On the basis of the in-depth interviews relating to this area, the relatively low score rating in the questionnaire resulting from this question could be accounted for by the following two reasons. Firstly, respondents may well have been unable to identify, or did not have a project leader/champion for the projects they elected to evaluate, and/or secondly, the performance of the project leader was such that their actions were not significantly different from other NSPD members.

Questionnaire respondents were also asked a number of questions which attempted to explore the relationship of NSPD organisational structure and the people involved in NSPD activity. The information was collected on a five point scale with polar extremes, to "a great extent" at one end, and to "no extent" at the other. The results are recorded in Table 6.25. The results as shown in Tables 6.24 and 6.25 generally indicate that managers in the questionnaire survey were equally divided in opinions as to whether or not their present NSPD organisational structure facilitated a degree of freedom that enabled them to become highly involved and motivated in terms of NSPD activity.

Scale: 1 = to a great extent 5 = to no extent	1	2	3	4	5
Relationship between people and organisational structure	Number of Respondents				
(A) The present organisational structure does not facilitate freedom and responsibility to enable individual managers to become highly involved with NSPD activity	12	10	4	7	16
(B) Managers spend a lot of time talking about NSPD, yet nobody seems to have time to carry it out	20	16	8	3	2
(C) We have no real problem getting the right managers involved in NSPD activity	2	5	14	20	8
(D) Our organisation is responsive to the requirements of NSPD efforts	10	18	8	9	4
(E) NSPD should be relatively autonomous to minimise interference from business functional area managers	7	18	20		4

N= 49 Score Mean(s) (A)3.10, (B)2.0, (C)3.55, (D)2.57 and (E)2.51 respectively

Table 6.25 A rating scale of senior marketing managers' and product managers' perceptions of the relationship between organisational structure and the people involved in NSPD activity

The operationalisation of the measure of NSPD motivation in terms of the extent to which managers talk about NSPD as against actually undertaking the activity, indicated that motivation levels within organisations were relatively low with a mean rating score of 2.0. To some extent the results of this measure were supported by the subsequent item which attempted to ascertain the difficulty that organisations experienced in actually getting managers involved in NSPD. The results suggested a reluctance by managers to become involved. The majority of managers however, considered that NSPD should be a relatively autonomous activity, and a mean item score rating of

2.51 was recorded. The results of all these items need to be considered within the general context that although motivation levels seemed relatively low with respect to NSPD activity, managers considered that their organisation was generally responsive to the requirements of NSPD activity, with a mean score rating of 2.5 being recorded.

Overall, the study results as indicated in Tables 6.14-25 generally give a degree of support to the central themes of P4-P8. However, the support for P7 was perhaps more limited.

6.5 Research Issue Three External Marketing Environment

This section presents the results of a study to determine the extent to which financial service organisations, with specific reference to credit card organisations monitor their external macro and micro marketing environments in order to develop new service products. In particular the study attempted to explore whether product managers regularly monitor the macro environment and the basis of any methodology used to carry out this activity.

On the basis of the empirical results derived from the case field study, together with arguments presented in (Chapter Two and Chapter Four) relating to the proposed new NSPD model for financial services, the working proposition P8 was examined.

Product marketing managers were asked to rate the importance of the collection of data relating to the external environment, on a five point scale in terms of its importance and contribution to the formulation of marketing action programmes with respect

to NSPD. The results are reported in Table 6.28. Similarly, product marketing managers were asked in the questionnaire survey to indicate how their organisation gathered information at the micro level with respect to NSPD. The results are reported in Table 6.27.

Extent of the measurement of macro and micro environments	n	%
Regular monitoring	7	28
No monitoring	4	16
Limited monitoring	14	56

N=25

Table 6.26 Assessment of the number of product managers who regularly monitor the macro and micro marketing environments with respect to NSPD activities

As can be seen from Table 6.26, the results would suggest that credit card organisations in general undertake only limited monitoring of the macro and micro marketing environments with respect to NSPD activities. The results of the question relating to product managers' perceptions of the importance of undertaking an analysis of the macro and micro environment in the development of a marketing action programme, would tend to support the latter conclusion.² As shown in Table 6.28, product managers in the survey attempted to take a middle scale position with a mean score of 2.8 on a five point scale being recorded.

Table 6.27 shows that although the majority of credit card organisations in the survey do not regularly monitor the macro environment, they do use environmental measurement techniques.

Nineteen respondents, (76%), indicated that their organisation used quantitative methods. The results from the face-to-face interview indicate the most effective and frequently used techniques were the delphi or the systematic solicitation of expert opinion, the diffusion process, and scenario development, the latter of which was used by twenty questionnaire respondents, (80%).

Technique used to monitor environment	n	%
"Best guess" scenario	20	80
Use quantitative methods	19	76
Use formal scenario techniques based on published banking and financial service sector research	12	48

N=25

Table 6.27 Techniques used to monitor the macro and micro marketing external environments

A five point, nine-item scale was used to record managers' perceptions of their organisation's position regarding the use of marketing intelligence techniques with respect to NSPD activity.

As shown in Table 6.29 credit card organisations use a variety of impersonal marketing intelligence methods with respect to its NSPD activities. However, it is also evident that not all organisations use the same techniques. As expected all organisations collected intelligence on competitors, mainly through published secondary data, but also by general observation. Surprisingly, credit card organisations tended not

to obtain intelligence data by asking questions of their customers about their competitors, or by talking directly to competitors or their employees. The results did suggest that some intelligence data was collected by recruiting staff from competitor organisations, although a relatively low mean score of 1.98 was recorded on a five point scale.

Scale: Highly important =1					No importance =5				
1		2		3		4		5	
Number of respondents									
2 (8) %		6 (24) %		14 (56) %		1 (4) %		2 (8) %	

N=25

Mean 2.8

Note: Percentages are rounded and based on the response from 25 organisations

Table 6.28 A rating scale of product marketing managers perceptions of the importance of undertaking an analysis of the macro and micro environments in the development of marketing action programmes

Scale: 1=used very regularly 5=never used	1	2	3	4	5
Marketing Intelligence Method	Number of Respondents				
(A) Monitor competitors' credit card advertising	8	9	7	24	1
(B) Ask your customers about competitors		8	28	13	
(C) Talk with competitors and their employees		2	12	27	8
(D) Use bank credit card employees		12	24	13	
(E) Observe competitors' business	36	9	4		
(F) Review commercial information sources about competitors credit card services	38	11			
(G) Ask suppliers, and other intermediaries about competitors		2	16	20	11
(H) Use competitors credit card services	6	21	16	4	2
(I) Hiring staff from competitors' credit card organisation	14	16	17	1	1

N=49 Mean(s) (A)3.02, (B)2.49, (C)3.83, (D)3.02, (E)1.34, (F)1.22, (G)3.81, (H)2.48 and (I)1.89 respectively

Table 6.29 A rating scale of the marketing intelligence methods used by credit card organisations

A number of conclusions can be drawn from these results which include: Firstly, senior management of credit card organisations have little commitment to the macro environmental analysis process and may consider that only a little information is needed to make strategic NSPD decisions. Secondly, that the scope or magnitude of NSPD decisions in terms of the decision's potential impact or long term return of investment and sub-goals of the total organisation is not considered as substantial. Thirdly, new service product development activity is not regarded as a problem but a business activity that functions relatively well, and therefore credit card organisations consider they perhaps

have adequate experience and therefore desire less information. Overall, the pattern of results as indicated in Tables 6.26-29, give little support to P8, in that management NSPD activities involve the systematic and rigorous examination of the external marketing environment.

6.5.1 Marketing Research

This section presents the results of that part of the study designed to determine the extent to which financial service organisations with specific reference to credit card organisations, use marketing research in order to develop new service products. In particular, the study attempted to explore the relationship of marketing research as a measure of the interactive customer service product interface.

On the basis of the empirical results derived from the case field study, together with arguments presented in (Chapter Two and Chapter Four) relating to the proposed new NSPD model for financial services, the working proposition P9 was examined.

Both senior marketing managers and product managers were asked about the contribution of marketing research to NSPD activities in terms of the extent to which their organisation undertook such activities before deciding to introduce or develop a new or modified credit card service, and whether the research activities were carried out by internal or external staff. The results of the questionnaire survey are recorded in Tables 6.30 and 6.31 respectively.

Measurement of Marketing research activity	n	%
Always carried out	4	16
Sometimes carried out	15	62
Usually not carried out	5	21

N=24

Table 6.30 Assessment of the extent of customer market research activity prior to the development of new or modified services

The results as reported in Table 6.30 would indicate that credit card organisations differ very little from other financial service organisations in this respect. The results were generally very much in line with earlier observations by Watkins and Wright (1986), Nevans (1986), Hooley and Mann (1987), and Thorncroft (1988). During the face-to-face interviews managers often argued that financial services were in fact similar to those provided by other service consumer industries, ie consumers can only articulate about products and services they currently have or need; they do not think about long-term financial requirements. Likewise, it was argued that consumers had difficulty in coming to terms with new financial concepts, particularly those involving technology.

Product managers were specifically asked in the questionnaire survey to indicate the main reasons for not doing more market research. The results of this part of the study are reported in Table 6.31. As shown, a lack of internal research resources, skills and insufficient time were commonly cited by product managers as reasons for not undertaking market research.

In order to understand better the relationship of marketing

research and new service product development activities, managers were asked a number of questions to examine the scope of internal and external marketing research programmes. The results of the questionnaire survey are reported in Tables 6.32 and 6.33.

Reasons for undertaking limited market research	n	%
Cost	7	28
Insufficient time	18	72
Lack of internal research resources and skills	20	80
Availability of outside research agencies	18	72
Information cost benefit considered insufficient	16	64

N=25

Note: Percentages are rounded and based on the response from 25 organisations

Table 6.31 Reasons for undertaking limited marketing research activity with respect to NSPD.

As expected, credit card organisations tended to use both their own staff and specialist external research agencies to implement their marketing research programmes. All organisations commissioned special research with respect to NSPD activities. The results as shown in Table 6.33 indicate that credit card organisations tend to use their own staff for research activities relating to the marketing mix elements but tend to use outside agencies for NSPD concept testing, consumer buying behaviour studies, and service product image and positioning studies.

Implementation of marketing research	n	%
Own staff exclusively	3	13
Own staff and outside specialist research organisations	19	79

Use outside specialist research organisations for special studies	24	100
Exclusively by outside specialist research organisations	7	29

N= 24

Note: Percentages are rounded and based on the response from 24 organisations

Table 6.32 Execution of marketing research activity in credit card organisations

Marketing Research Activity	Own Staff		Agency	
	n	%	n	%
Market definition	19	76	6	24
Estimating market potential	22	88	3	12
Estimating market penetration	22	88	3	12
Concept testing	16	64	9	36
Consumer buying behaviour	10	40	15	60
Image research	8	32	17	68
Pricing/interest charge research	20	80	2	8

N= 25

Note: Percentages are rounded and based on the response from 25 organisations

Table 6.33 Assessment of the scope of marketing research activities undertaken by credit card organisations with respect to NSPD

The extent to which credit card organisations revise their existing services and portfolios to satisfy customers' changing needs/attitudes arising from marketing research studies was also briefly examined. Product managers were asked to indicate their assessment of their organisations position on a five point scale with polar extremes of, "to a great extent" at one end and "to no extent" at the other.

As can be seen from table 6.34, product managers in the survey generally considered their organisations were responsive to

market research findings. This result it can be argued, is not consistent with many of the general views expressed by managers during the face-to-face interview process.

Scale: To a great extent =1 Very limited extent =5				
1	2	3	4	5
Number of Respondents 4 (16) %	10 (40) %	8 (32) %	2 (8) %	1 (4) %

N= 25

Mean 2.60

Table 6.34 A rating scale of product managers' perceptions of the responsiveness of their organisation to market research findings

A number of comments were made suggesting that unless marketing research directly concerned competitors' actual or potential actions, then in many instances the research findings were ignored (unless they fitted well with the organisations' wants). In particular, product managers in the survey were asked about the extent of the system that monitors the success of marketing action programmes as they relate to new service development. The results of this area of the study are reported in Table 6.35. The extent to which marketing research activities are co-ordinated as part of a formal marketing information system from which information for NSPD decisions can be obtained, was also examined. The results are reported in Table 6.37.

As shown in Tables 6.35 and 6.37 the majority of senior managers in the questionnaire survey (35 respondents 71%) considered that their organisation with respect to credit card service products and NSPD, had a marketing information system which co-ordinated the collection of information.

Extent of monitoring system	n	%
No system in operation	5	20
NSPD programmes involving major changes in the existing marketing mix are monitored on a systematic basis	19	76
A systematic system measures all marketing mix variables as they relate to NSPD programmes	19	76

N= 25

Table 6.35 Assessment of product managers' perceptions of the extent of the system that monitors the performance of marketing action programmes as they relate to NSPD

However, although the results would suggest that the majority of marketing information systems had some statistical capability, only 10 respondents, (20%) considered the system was capable of drawing inferences and predictions based on software packages such as Lotus 1-2-3. Likewise, only 3 respondents indicated that the system was sufficiently advanced to incorporate the organisation's value system and criteria for choice as part of a decision support.

Marketing performance variables	n	%
Key markets	23	92
Key customer groups	14	56
Competitors	19	76
Financial indices	20	80
Promotional programmes	14	56

N= 25

Table 6.36 Assessment of marketing performance variables excluding the marketing mix components that are monitored on a systematic basis

Table 6.36 lists some of the key marketing performance

indicators, excluding the marketing mix variables used and monitored by credit card organisations on a regular basis with respect to NSPD programmes.

Description of Marketing Information System	n	%
A data bank system which primarily gives reports only on request, and serves basically as a data retrieval and collation system which has a minimal statistical capability.	1	2
A data bank system which contains substantial data relating to customer needs (described in marketing management terms).	35	71
A data bank system which is extended to include systems for drawing inferences and predictions which is based on software packages such as Lotus 1-2-3.	10	20
A data system which includes systems for incorporating the organisation's value system and criteria for choice as part of a decision support system.	3	6

N= 49

Table 6.37 Assessment of the extent to which the information collection activities are co-ordinated as a formal information system

Some managers, (45%) identified that their organisation lacked an effective strategy for identifying and evaluating customer requirements (internal and external customers), in terms of benefit expectations relating to the service product offering. In a number of instances, managers commented that a comprehensive selection and evaluation process was either non existent, or was incompletely understood, or was not engaged in by all business functional areas within the organisation. Similarly, some of these managers commented that a major result of this process was

that a thorough evaluation of the relative benefits, costs and risks of the proposed credit card NSPD activity did not occur before resource commitment had been made.

Generally, the results gave little consistent strong support for P9, in that marketing research is a key activity in the development of new service products with respect to credit card financial service organisations. The evidence from the study would indicate that although credit card organisations recognize the importance of a marketing management orientation, few organisation genuinely use marketing research as a means of interacting with their customers with respect to NSPD activities. The results would indicate that the primary focus of marketing research activity is with respect to competitor activity. Overall, the results are consistent with empirical studies of Ennew, Wright and Watkins (1989), who examined the financial service industry as whole.

6.6 Research Issue Four Generation of NSPD Internal Competence Co-ordination within Credit Card Organisations

This part of the study reports the results of the extent to which credit card organisations adopt distinctive NSPD practices and techniques with respect to the generation of internal 'know-how' or competence co-ordination with respect to their staff. On the basis of the empirical results derived from the case field study, together with arguments presented in (Chapter Two and Chapter Four) relating to the proposed new NSPD model for financial

services, the working proposition P₁₀ was examined.

As argued in Chapter Four, fundamental to an understanding of the generation of internal competence co-ordination with respect to NSPD within an organisation, is an understanding of the information flows or systems that constitute the communication process. This section therefore also reports the results of a study of the NSPD communication process, in terms of the concept of NSPD information flows within credit card organisations, with respect to NSPD organisational structure. In particular, the study reports on the argument detailed in Chapter Four, 4.3, which argues that NSPD organisational structure should be of a design which facilitates its members to obtain information and resources from diverse sources inside and outside the organisation. It was argued in the literature that successful service product innovation is often related to close relationships and teamwork, also that the quality of these relationships is especially important for organisations that are facing turbulent and often chaotic environments. Similarly, in Chapter Four, it was also argued that a productive and harmonious relationship between business functional areas of an organisation and the functional area of marketing with respect to NSPD is important. Evidence from the literature review would indicate that these areas are particularly important in the context of the generation of internal competence coordination. The study consequently attempted to briefly explore these and related issues as they describe credit card organisations with respect to NSPD, and the results are subsequently reported. Both interviewees and questionnaire respondents (senior marketing

managers) were asked to evaluate the internal co-operation between different business functional areas and the extent they considered managers work together with respect to NSPD. A five point scale was used to record the results which are reported in Table 6.38.

Scale: Excellent =1 Bad =5				
1	2	3	4	5
Number of Respondents 1 (4) %	6 (25) %	12 (50) %	3 (12) %	2 (8) %

N= 24 Mean 2.95

Table 6.38 A rating scale of senior managers' perceptions of the extent of internal cooperation between different business functional areas

As can be seen from Table 6.38, very few senior marketing managers rated the internal cooperation as excellent - 4 respondents (20%). The majority of managers considered that the position was best described as very good or satisfactory, with 2 respondents considering their position as poor. Examination of these results in the context of NSPD organisational structure, indicates that senior marketing managers whose organisations had adopted a project matrix organisational structure, tended to have higher score ratings in terms of excellence of internal co-operation than other organisational NSPD forms.

The study also reports the results of the mechanism(s) used most frequently by credit card organisations to co-ordinate and communicate business activity with respect to NSPD between business functional areas. Communication breakdown was commonly

cited in the literature (Chapter Three), as a cause for lack of integration between business functional areas. Many academics argue that inter-functional effectiveness requires informal communications. Given the importance of this aspect of management practice as earlier identified, it was surprising that the literature research showed little evidence of empirical work in this area, particularly with respect to financial services, and none with the credit card sector. The results of a study into the frequency of usage of common communication mechanisms used by credit card organisations to co-ordinate NSPD activities between business functional areas is reported in Table 6.39. As expected, managers use an array of techniques to communicate with colleagues, the most frequent being formal meetings and the least frequent being written reports.

Communication Method	n	%
Occasional round table meetings with managers	40	82
Regular meetings with managers	49	100
Reports	33	67
Memorandums / directives	40	82
Verbal / telephone	27	55
Informal / meetings	40	82

N=49

Note: Percentages are rounded and based on the responses of 49 participants

Table 6.39 Frequency of usage of common communication mechanisms used by credit card organisations to co-ordinate NSPD activities between business functional areas

Senior marketing managers were asked how they communicated with their staff, with respect to informing them of new service product activities. Also, whether the frequency of their communication to staff as new service product (or enhanced

service product) development proceeded to the launch stage, particularly in terms of whether communication generally increased or decreased. The results of the questionnaire survey are recorded in Tables 6.40, 6.41, and 6.42 respectively.

As part of this study, product managers were also asked how frequently they reported to senior marketing management the decisions they made with respect to formulating marketing action programmes. The results are reported in Table 6.41. Generally, the results indicate little difference in the type of communication method used between other business functional areas and the marketing business functional area. As to be expected, the mechanism for internal communication (within the marketing business functional area) tended to be less formal. Again, the results indicate a low frequency of usage with respect to formal written communication mechanisms. Analysis of the results relating to the time interval requires some considerable care, due to the possibility of various interpretations by the respondent and the general subjective nature of the question. A limited communication process with respect to NSPD however is indicated, particularly given that 20% of respondents considered the statement "infrequent, about once per month" as best describing their organisation's position. Likewise, at the other end of the scale "very frequently, at least twice per week" which was considered a moderate measure, was considered appropriate by only 16% of respondents.

Reporting System	n	%
Formal meetings	22	92
Informal meetings	24	100
Written reports only	18	75
Combination of informal meetings and written reports	23	96
Telephone	24	100
Memorandum	15	62

Note: Percentages are rounded and based on the responses of 24 participants

N=24

Table 6.40 Assessment of the main mechanism used by senior marketing managers to communicate NSPD activities to marketing business functional area staff

Time Interval	n	
Very frequently, at least twice per week	4	16%
Often, at least three times per month	16	64%
Infrequently, about once per month	5	20%

Note: Percentages are rounded and based on the responses of 25 participants

N=25

Table 6.41 Frequency of reporting period by product managers to senior marketing managers with respect to development of marketing action programmes

Frequency of Communication	n	%
Increase substantially	5	16
Marginally increase	10	42
Remains about the same	9	37
Decrease		

N=24

Note: Percentages are rounded and based on the responses of 24 participants

Table 6.42 Assessment of the change in frequency of communication from senior marketing managers to staff with respect to NSPD activities as a project proceeds to the launch stage

Senior marketing managers were also specifically asked in the questionnaire survey, whether the internal communication process facilitated a good understanding within the organisation of new service product definition, and whether they considered that the level of this understanding affects the rate of NSPD internal adoption. This part of the study also examined the extent to which various business functional were integrated by internal NSPD communication programmes. The data relating to both these questions was recorded on a five point scale, which ranged from "a great extent" to "no extent" at the other polar extreme and are shown in Table 6.43 and 6.44 respectively.

Scale: To a great extent =1			To no extent =5	
1	2	3	4	5
Number of respondents 2 (8) %	12 (50) %	8 (33) %	2 (8) %	0

N= 24

Mean 2.41

Note: Percentages are rounded and based on the responses of 24 participants

Table 6.43 A rating scale of senior marketing managers' perceptions of the extent to which the effectiveness of the internal communication process facilitates an understanding of service product definition

Scale: To a great extent =1			To no extent =5	
1	2	3	4	5
Number of Respondents 6 (25) %	14 (58) %	0	3 (12) %	1 (4) %

N=24

Mean 2.12

Note: Percentages are rounded and based on the responses of 24 participants

Table 6.44 A rating scale of senior marketing managers' perceptions of the extent to which an understanding of new service product definition, affects the rate of internal adoption

The inference that can be drawn from the study results is that credit card organisations are attempting to improve their internal communication to business functional areas using a variety of techniques. As earlier reported in Table 6.40, it can be seen that no one mechanism is used solely more or less than others, although the written memorandum was considered the least appropriate method of communication with respect to NSPD activity. Informal face-to-face meetings were generally considered as the most effective communication technique, although respondents commented that this method was expensive in management time and difficult to actually implement. A number of senior managers reported during the interview process, the successful use of improved communication, to integrate business functional areas with respect to NSPD activities. Even so, managers, as reported in Table 6.38 only rated the extent of internal co-operation between different business functional areas as generally satisfactory, which would suggest a communication gap may still exist. The importance of good internal communication in determining NSPD project success with respect to credit card services is illustrated by comments of one senior marketing manager discussing reasons for project failure. "BMS strategic planning failed to read the signals, notwithstanding that, the risks were not properly communicated".

The research results would suggest that in many areas of credit card NSPD, particularly those involving substantial change in the existing operational systems, decisions were often made late and poorly communicated. More than 48% of product managers in the survey study said that they were at times not involved or unaware

of proposed major changes in operational systems as a result of NSPD activity. An inference that can be drawn from this part of the study, is that organisational decision-makers in credit card financial service organisations often fail to communicate decision support requirements effectively to those involved in NSPD. A number of senior marketing managers commented that although time, as always, was a very limited resource, they were spending more time in the field talking to channel customers, (merchants), and were having more regular meetings with operational staff in their branches. The majority of senior marketing managers considered that in the context of NSPD activity, they did hold regular meetings with their staff, in particular with product managers, systems analysts and other business functional areas. As can be seen from Table 6.41, product managers considered the frequency of their reporting period to be of the order of three or more times a month, and only a few respondents, 4 (10%), considered the reporting period as very frequent, being at least twice per week.

It was earlier identified in the literature review (Chapter Three) that three areas or themes of theoretical work with respect to the generation of internal competence co-ordination, stood out as important: integration, continuity and trust of staff. These areas were subsequently used as the basis of this part of the study. Questionnaire respondents and participants in the face-to-face interview study were subsequently asked a series of questions which briefly explored these areas. In particular questions specifically explored whether credit card organisations pertaining to NSPD, adopt any distinctive

management practices which were used to generate internal "know-how" or competence co-ordination with respect to their staff. The study also briefly explored the importance of ownership at both an individual, and functional business area level with respect to NSPD activities in credit card organisations. Product managers were specifically asked in the questionnaire survey for their perceptions on this latter issue, the results of which were captured using a five point scale with polar extremes ranging from "highly important" to "no importance". The results are reported in Table 6.45.

Scale: Highly Important =1 No Importance =5				
1	2	3	4	5
Number of Respondents 12 (48)%	8 (32)%	3 (12)%	1 (4)%	1 (4)%

N= 25

Mean 1.84

Table 6.45 A rating scale of product managers' perceptions of the importance of achieving ownership at an individual and functional level for NSPD activity

As can be seen from the above table, a very high level of agreement was generally obtained on the importance of ownership, a mean score of 1.84 being recorded.

The results of the study into whether credit card organisations develop or use staff training programmes to promote NSPD project ownership are briefly reported in Table 6.46.

In-House Training Programmes: Ownership	n	%
Number of respondents with training programmes	16	66
Number of respondent without training programmes	6	25

N= 24

Note: Percentages are rounded and based on the responses of 24 participants

Table 6.46 Number of credit card organisations which develop training programmes to promote project ownership

The results, as shown in table 6.46 to a great extent are consistent with the previous results reported in Table 6.45, in that the data would suggest that credit card organisations have recognized the need for developing ownership of business plans and have subsequently incorporated this aspect into their management training programmes. This position was indicated by 16 respondents in the questionnaire survey, (66%).

The role of external consultants with respect to the development of internal competence co-ordination and project management was examined, both through the interview process and by means of an open-ended question on the questionnaire. The results of the questionnaire survey for this part of the study are reported in Table 6.47. As can be seen from this table, senior managers indicate that external consultants have a major role in the transfer and generation of internal skills and "know how" with respect to NSPD. The importance of developing internal skills and the role of external consultants can also be illustrated from an extract of a paper by a senior director of a large credit card organisation (in terms of market share) to senior executives about NSPD. "We have limited experience of managing NSPD

projects in many areas of our business and should not be scared of employing outside suppliers as systems integrators, notwithstanding the apparently large increase in cost. It is strongly recommended that we use outside consultants for new product development systems integration, particularly where a number of small suppliers are involved. Over time, we should consider growing these skills in-house".

Role of External Consultants
* Facilitates the development of project management and systems skills 62%
* Fulfils short term gaps in human resources with respect to specials skills areas 55%
* Facilitates the build up of "know-how" 47%
* Enables the transfer of new skills 42%
* Provides a mechanism for changing culture 32%

N=24

Note: Percentages are rounded and based on the responses of 24 participants

Table 6.47 The role of external consultants with respect to new service development and project management

The impact of organisational structure and internal competence co-ordination or "know-how" on a NSPD project can be illustrated from an abstract of an internal credit card company report. "An inappropriate executive and management structure with insufficient experience in managing such a complex and high technology project, was established in both BMS and BSD (business functional areas). Changes were made, but the changes themselves caused disruption to the project".

Table 6.48 reports the results of a five item scale which was used in the questionnaire survey to capture further data with

respect to the generation and transfer of internal skills as they relate to NSPD. Also reported are the importance of the generation of internal skills to the organisation, and the use of external consultants in this respect and the importance and use of in-house training programmes as a vehicle for sharing existing knowledge. The role of project teams as a useful mechanism for transferring and developing internal skills and whether the enthusiasm of organisational technicians is significant are also shown. The results of this part of the study were measured on a five point scale with senior marketing managers indicating a level of agreement or disagreement. Analysis of the data in Table 6.48, would again confirm the inferences drawn earlier that senior management within credit card organisations recognised the importance of the generation of internal skills and "know-how". Generally, a high degree of agreement was achieved with a mean score 1.66. The use of external consultants as the best means of developing internal skills received less agreement amongst managers, and a mean score of 3.25 was recorded. Similarly, respondents considered that NSPD success was not substantially dependent on the enthusiasm of the organisation's technicians. As a senior marketing manager commented about a recent internal NSPD programme, "Other systems projects arising from BRP have gone well because they were firmly established as business driven projects with good co-ordination between BMS and BSD", (business functional areas). Senior managers did indicate a strong agreement to the proposition that in-house training was the key to the development of high levels of internal skills by sharing existing knowledge,

a mean score of 1.95 being recorded. The results also indicate that project teams provide a useful mechanism for transferring and developing internal skills, and a mean score of 2.04 was recorded.

Scale : 1=Strongly Agree 5=Strongly Disagree	1	2	3	4	5
Generation of Internal Skills	Number of Respondents				
(A) Generation of internal skills is becoming increasingly important.	10	12	2	0	0
(B) Internal skills are best developed using external consultants.	2	2	8	12	0
(C) Introduction of new service products will depend on the enthusiasm of the organisations technicians	1	2	8	10	3
(D) In-house training is the key to developing high levels of internal skills by sharing existing knowledge	8	10	5	1	
(E) Project teams provide a useful mechanism for transferring and developing internal skills	3	16	2	2	1

N= 24 Means (A)1.66, (B)3.25, (C)3.50, (D)1.95 and (E)2.04 respectively

Table 6.48 A rating scale of senior marketing managers' perceptions of the generation and transfer of internal skills within their organisation with respect to NSPD

The research results would suggest that a key to developing high levels of internal skills with respect to NSPD within credit card organisations is through a managed process of sharing existing knowledge. The results would also indicate that this process could be characterised by the extent and nature of internal training and the ability of the organisation to retain staff. This latter aspect was highlighted by a number of interviewees, particularly those from the small credit card organisations (in

market share terms) who argued this was an area of strength within their organisation compared to the larger organisations. A number of managers commented that until recently, staff joined the organisation for life. Although the research results indicated that the marketing business functional area in all credit card organisations has seen relatively rapid growth, particularly in recent years, this has not been the general situation for other business functional areas. As earlier identified, the business information system area which plays a major role in NSPD activities tended to exhibit a different staff profile compared to the marketing business functional area in terms of staff service years. It was not uncommon that length of service for project and training managers within many of the credit card organisations that took part in the study, was fifteen or more years. Likewise, continuity of staff was reflected in many of the smaller credit card organisations. Internal training and recruitment of staff were highlighted in discussions with senior managers as being key issues. Recruitment policies of credit card organisations was generally considered to be outside the scope of the research study. However, since the literature review (Chapter Three), identified the fact that both these management areas had a substantial influence on NSPD success, it was decided subsequently to give some attention to these aspects in the face-to-face interviews. The research results indicate that the normal practice particularly in the case of business analysts involved in NSPD, was the recruitment of staff usually branch staff, in the case of bank cards from within the distribution channels of the

financial service organisation. It was stated by a number of interviewees that a main criteria for this type of internal promotion was based on a range of practical skills, and the often unwritten experience of staff members. A similar position was articulated by managers for other staff positions within the organisation, for example, programme staff were generally trained in-house. The research findings would suggest that the nature of the in-house training programmes within many of the credit card organisations, tended to make technical staff less marketable to competitor organisations, but also helped to ensure that internal organisational skills within a given area were continually developed on the basis of past experience. Because of a policy of on-the-job promotion, managers commented that staff were generally encouraged to stay with their organisation. It could be concluded that this policy also contributed to keep internal competence co-ordination or "know-how" within the organisation.

Continuity of staff was widely seen by managers as a primary mechanism which gave NSPD leverage, resulting from the development of an integrated process system within the organisation. This process of staff continuity and integration enabled credit card organisations to change quickly to meet changing customer and business needs, because of the knowledge retained from previous NSPD activities. Managers commented that past NSPD experience enhanced their organisation's ability to develop new and/or modified existing internal and external service products. The face-to-face interview process with senior managers revealed that internal skills development within many

of the credit card organisations is seen as of paramount importance. This can be demonstrated from the following extract of a short memorandum from the chief executive of a large credit card organisation (in market share terms) to senior management staff with respect to a recent NSPD project. "My purpose in circulating this note is to ensure that we learn and share the lessons of good disciplines of project management, project definition and planning, risk management, supplier management and sanction procedures which are essential to complex projects if we are to succeed".

Credit card managers were asked a number of questions in order to examine the distinction in process terms between new service product development and new service product improvement with respect to credit card products. As a consequence of these discussions, the results would suggest that in the case of credit card organisations, the term NSPD improvement applies to any change in the service product offering whose implementation does not require a substantial alteration of the existing rules or operational procedures: a change, but a change taking place within the existing system. The research results also indicate that a characteristic of credit card NSPD improvement is that it would normally involve only one aspect of the service product benefit, and that frequently, this would involve only one business functional area. This would require only limited inputs from other business functional areas. These activities it is argued, give rise to increased levels of internal competence co-ordination or "know-how" within that part of the organisation. Likewise, the contribution of a number of incremental NSPD

improvements within credit card service products was seen to give rise to a more significant NSPD improvement output. This was initially seen to result in operational efficiency and a new level of internal competence co-ordination that was subsequently written in terms of new operational procedures.

The results as indicated in Tables 6.39-48 generally support the central theme of P10, in that credit card financial service organisations adopt distinctive management practices that generate internal competence co-ordination with respect to NSPD activities.

6.7 Research Issue Five Enabling Technology

This section presents the results of the study with respect to the role of enabling technology in NSPD. In particular, the study attempts to identify its influence on internal competence co-ordination in terms of service product efficiency and improvement with respect to credit card NSPD programmes.

On the basis of the empirical results derived from the case field study, together with arguments presented in (Chapter Two and Chapter Four) relating to the proposed new NSPD model for financial services, the working propositions P11, P12 and P13 were examined.

When considering the role of information and enabling technology in credit card organisations, the prime task was to determine how marketing business functional areas used it, and what was its relationship with the new service product development process. The mere presence of enabling technology, or IT, is itself not evidence of its usefulness or appropriateness. Data for this

part of the study was collected primarily by through face-face interviews with senior marketing managers and product managers. The data was also captured in the questionnaire survey, and by observation, of the use of IT within credit card organisations. In order to provide a theoretical basis for this part of the study and a framework for the investigations, a model of a marketing information system adopted by Piercy and Evans (1983), which makes the distinction between Data and Information, was used. In general terms, the research study as was to be expected, found that all credit card organisations in the study used substantial amounts of sophisticated enabling technology which could be characterised as mainly operational or tactical in nature. All the organisations in the study also employed large numbers of technology support staff in line with the market share size of the organisation. The enabling technology division or business functional area were all centrally organized and their primary task was mainly concerned with the day-to-day running of the organisation's main systems. In all the organisations studied, there was evidence of a regular communication between technology technicians and a variety of technology users including the marketing business functional area. However, there was not a lot of evidence that data from the enabling technology system was fully utilised with respect to NSPD, other than for general operational routine purposes. In some instances, specific marketing activities were generally hard to separate from the technology systems that had been put in place to support them. The large credit card organisations (in terms of market share) all exhibited a complex inter-relationship between systems

within the business functional area of marketing and outside it. In examining the position in terms of whether credit card organisations had an effective data management base which was actively used for new service product development, only three questionnaire survey respondents (12%), considered that their organisation had such a system. Typical comments made by managers during the in-depth interviews to explain why their organisation did not have such a system included "there is too much information," "it is scattered around in many different places," "collecting it together requires a big investment of money , computer hardware, software and management time" and "it needs to be thoroughly planned." The actual situation for data base management in the majority of credit card organisation was described by managers as a compromise solution. A senior marketing manager from a large credit card organisation summed up the position by explaining "usually what happens is that colleagues get excited about the marketing potential of a good data base, then they get disillusioned when they see what is needed to implement the system." A number of marketing managers also commented in the in-depth interviews on the problems of integrating the data and the functions provided by the technology systems. Occasionally, data in different systems was in conflict and at other times data was out of date; similarly functions or data manipulation were performed by more than one system.

In many respects, credit card managers argue that the credit card industry has led the way in the financial services sector by automating through enabling technology, many of the basic functions. As reported in Table 6.50, senior marketing managers

demonstrated a high level of agreement when asked in the questionnaire survey whether they considered technology had substantially increased productivity with respect to existing credit card service products, and if it had reduced costs. A mean score of 1.37 and 1.33 was obtained on a five point scale. The number of staff employed within the industry over a given period, can be regarded as a crude measure of productivity. Analysis of this data for the last fifteen years, shows that although the UK credit card industry has seen some substantial growth in its service products, Chapter Two, (2.8), the industry has also seen some considerable shake-out in terms of the number of staff employed. Managers commented that as their organisation improved efficiency by use of main frame computer operations, so a corresponding reduction in its staff number occurred within its credit card division or service product portfolio.

The results would indicate that credit card organisations have developed systems to handle the traditional account management functions and provide a number of layers of management with management accounting data, but have not made much provision beyond the traditional financial service information requirements. The results of the study would also suggest that as credit card users increased their competence on the first generation computer systems, the industry subsequently began to identify new process applications. As reported in Table 6.50, a high level of agreement was obtained on the measurement item, which explored whether new technology leads to improving existing credit card services or to developing radically new services. A mean score of 1.66 was recorded on a five point scale on this

question.

Unlike the traditional banking sector which has tended to change the design of its branches to facilitate sales, credit card organisations have tended to increase the number and type of distribution channels and the means of communicating with their customers. One marketing manager commented in the in-depth interviews, that "every time a customer uses a credit card financial service either directly, through an ATM or with a merchant, they were having a conversation with the issuer organisation" (ie credit card organisation). A number of managers commented that each financial service transmission required a human-like texture response from the credit card organisation.

The research results would suggest that a key factor in the growth of credit card services within many organisations besides market demand factors, was their ability to exploit technology. This factor was identified by managers both through the interview process and the questionnaire survey as being of particular significance. Related to this factor, it was also identified through the research process that the successful exploitation of technology was strongly linked to its integration with the business functional area of the organisation. As reported in Table 6.49, managers in the questionnaire survey showed a high level of agreement in the measurement item, which explored whether process efficiency depends on the extent to which technicians and users of technology are able to exchange experience and skills; a mean score of 2.16 was recorded on a five point scale. To a certain extent, the degree of agreement

was surprising given that some senior managers, in a number of the small credit card organisations (in terms of their market share) considered that their enabling technology was generally of a lower level than that used by the larger credit card organisations. However, it was the considered opinion of these managers, that a lack of technical sophistication had not affected the rate of NSPD in terms of new service product applications. As reported in Table 6.49, senior managers in the survey considered that process efficiency depends on project leadership skills and communication with other business functional areas. On this item a mean score of 1.42 was recorded on a five point scale. Managers were also asked in two further items, whether NSPD process efficiency depended on the retention of skills within a given business functional area, and also whether it depended on the retention of skills developed from earlier NSPD projects. In the case of both items a high level of agreement was recorded as shown in Table 6.49, with mean scores of 2.04 and 1.25 respectively.

There was some evidence from the research study that credit card organisations were making substantial efforts to assess the effectiveness of their systems in terms of their contribution to operational process efficiency. The results generally supported the proposition put forward by a number of managers that in many instances, immediate increases in levels of process efficiency, could be best achieved by greater expenditure on enabling technology.

Scale: 1=Strongly Agree 2=Slightly Agree 3= Neither Nor 4=Disagree Slightly 5= Disagree Strongly	1	2	3	4	5
Operational Efficiency	Number of Respondents				
(A) Increased levels of process efficiency can be best achieved by greater expenditure on technology	15	3	4	2	
(B) Process efficiency depends on the level of skills within a given business functional area	4	16	3	1	
(C) Process efficiency depends on the retention of skills developed from earlier projects	7	14	3		
(D) Process efficiency depends on the extent to which technicians and users are able to exchange experience and skills	4	12	8		
(E) Process efficiency depends on project leadership skills and communication with other business functional areas	16	4	2	1	1

N=24 Mean(s) (A)1.12, (B)2.04, (C)1.25, (D)2.16 and (E)1.42 respectively

Table 6.49 A rating scale of senior marketing managers' perceptions on their organisations position with respect to operational efficiency of its NSPD activities

The role of enabling technology was further examined in the questionnaire survey, using a seven item measure as a means of capturing data. The results are reported in Table 6.50.

Senior managers perceived that changes in enabling technology, would in effect reduce the transaction costs of the information flows within their organisations, which could be measured in terms of increased efficiency, and in the use of its resources. It was also considered by managers, that increases in the amount of enabling technology would facilitate better communication within the organisation, particularly between business functional

areas and the location of individual business units.

Scale: 1=Strongly Agree 2=Slightly Agree 3= Neither Nor 4=Disagree strongly 5= Disagree Slightly	1	2	3	4	5
Role of Enabling Technology	Number of Respondents				
(A) will substantially increase labour productivity in existing credit card services	18	3	3		
(B) will reduce costs	18	4	2		
(C) improve efficiency of service delivery particularly with respect to existing service products	12	8	4		
(D) new technology leads to improving existing credit card services as against developing radically new services	15	4	4		1
(E) leads to a strategy of product differentiation (with respect to competitors' products) new technology is a stimulus for more flexible management decision-making	10	8	3		
(F) promotes better communication between different business functional areas of the organisation	8	8	4	4	
(G) new technology is a stimulus for decentralised management structures	4	11	6	2	1

N= 24 Mean(s) (A)1.37, (B)1.33, (C)1.66, (D)1.66, (E)1.46, (F)2.16 and (G)2.37 respectively

Table 6.50 A rating scale of senior managers' perceptions of the role of enabling technology within the context of NSPD

An inference that can be drawn from this part of the study is that in the case of large credit card organisations, (in terms

of market share) there has been a general dispersal of the business into smaller operational units that are linked through integrated central structures, and through network systems, giving rise to new flexible organisational structures. As shown in Table 6.50, managers generally perceived that enabling technology acted as a stimulus for more decentralised management, flexible decision-making structures and promotes better communication between different business functional areas. A mean score of 2.37 and 2.16 respectively was recorded. An example of decentralisation, was the separation of merchant acquiring services and voucher collection, which were previously controlled centrally from head office in a number of organisations.

On the basis of content analysis of interviews with senior marketing managers, the results would indicate that the initiation of the NSPD idea, be it a completely new, modified existing or an internal service development, is considered a key element. A number of interviewees commented that NSPD projects were often initiated from outside the head office domain. Interviewees cited a number of important NSPD projects which had been initiated by the organisation's distribution channels, particularly from its branch office staff. It was common practice in many organisations until recently, to give bonus payments for NSPD projects which increased efficiency.

A number of managers from different credit card organisations commented in the in-depth interviews that their organisation in terms of technical project management, had adopted a modular

systems development which, it was argued, encouraged a greater balance between continuity and change, which in turn resulted in each NSPD project generating new skills based on earlier experience.

The results indicate that the tactical and operational needs of enabling technology within credit card organisations in comparison to strategic needs, is more readily understood and addressed by managers. It is also argued from the research results, that credit card organisations have a tendency in terms of enabling technology to be strongest in those areas of the organisation that are perceived as important, i.e. production process operations.

Overall, the results as indicated in Tables 6.49 and 6.50 give some support to P11 and P13. However, in the case of P13 analysis of the data resulted in very limited evidence for the support of the proposition. The study generally indicates the necessity for the integration between NSPD programmes at both the strategic and business levels with technology strategies and programmes.

Table 6.51 summarises the research results with respect to the research issues, and shows whether they support or refute the working propositions.

Proposition	Support
P1: Financial service organisations operating in dynamic and competitive environments, have a need to introduce more new or modified service product offerings than in periods of less competitive turbulence.	Supported
P2: Financial service organisations in order to introduce more new or modified service product offerings have a need to accelerate NSPD procedures in periods of dynamic competitive turbulence.	Supported
P3: Financial service organisations in order to develop successful new or modified service product offerings are likely to adopt a common NSPD organisational structure based on a functional type of structure	Not Supported
P4a: The marketing business functional area within credit card financial service organisations has substantial internal political influence which it gives to NSPD activities	Not Supported
P4b: The marketing business functional area within credit card financial service organisations has substantial external business experience which it gives to NSPD activities	Not Supported
P5: Responsibility for the implementation stages of NSPD programmes is clearly defined within credit card financial service organisations on the basis of managerial status	Supported
P6: The type of NSPD organisational structure adopted by credit card organisations will significantly influence the perceived degree of enthusiasm and motivation of NSPD participants	Supported
P7: The implementation of NSPD programmes within credit card organisations is dependent on the activities of a project champion or leader	Not Supported

P8 NSPD business activities with respect to credit card financial service organisations include the systematic and rigorous examination of the marketing external environment	Not Supported
P9 Marketing research is a substantial business activity undertaken in the development of new service products within credit card financial service organisations	Not Supported
P10 Credit card financial service organisations adopt distinctive management practices to generate internal competence coordination with respect to NSPD activities	Supported
P11 The use of enabling technology within credit card financial service organisations leads to a process of NSPD efficiency	Supported
P12 The mass customerisation of new credit card financial service products is facilitated through the use of enabling technology	Supported
P13 Enabling technology facilitates the development of NSPD internal competence coordination through a process of exchange of skills and experience	Supported

Table 6.51 Summary of support for working propositions

Chapter Seven

The Research Study Findings

7.1 Introduction

The purpose of this chapter is to discuss the main research findings drawn from the research results as discussed in Chapter Six. The chapter presents the study findings from three perspectives. Firstly, the main study findings are presented with respect to the results relating to each of the five research issues, and from the examination of the working propositions. Secondly, an examination is made as to how the findings differ from the NPD literature as discussed in Chapter Three. Finally, the aggregate results are examined in terms of the extent to which they give evidence to support the proposed interactive new service product development model for financial services as representing reality. The chapter concludes with the presentation of a revised model which incorporates the research findings.

7.2 Findings of the Study

The main findings of the study with respect to the five research issues identified in Chapter Four, and the examination of the working propositions, stated in Chapter Six, are as follows.

7.2.1 Research Issue One

Whether credit card financial service organisations operating in complex and dynamic environments need to accelerate new service product development, and whether such organisations exhibit factors which can cause a delay in the new service product development process.

The study findings indicate that UK credit card financial service organisations are currently operating in a more dynamic and competitive environment than in recent years. These environmental changes have resulted primarily from deregulation of the industry, which has changed the nature of competition with an increasing number of new market entrants, all of whom are competing for a share of the same market. Many of the changes in the competitive environment are typical of industries whose service product offering is reaching the end of the growth stage of the product life cycle. The study results which were consistent with proposition P₁ as discussed in Chapter Six, suggest that there are a number of reasons why these financial service organisations need to introduce more modified and bundled service product offerings. The main need was identified as strategic, in order to maintain or increase market share. The study findings would indicate that credit card organisations perceive that their customers are not necessarily becoming more sophisticated in the management of financial service products, but are seeking more added value. In order to introduce new service product offerings, the results clearly indicate that a need exists to accelerate NSPD procedures. This finding as discussed in Chapter Six, was consistent with proposition P₂.

Some aspects of the study findings from this area of the study regarding the 'speeding-up', or acceleration of NSPD, appear congruent with a number of other studies, particularly with respect to the role senior managers play in setting the climate for successful NSPD activity within a business functional area or within the organisation as a whole. Similarly, the findings indicate that senior management has a significant role to play in the acceleration of the NSPD process in the case of credit card financial service products.

The findings from this study suggest there are a number of factors both at the strategic and business level that financial service organisations need to consider, which cause a delay in accelerating the NSPD process with respect to credit card service products. The major factors include poor interface communication, relationships with other business functional areas, and a lack of understanding concerning service product definition, particularly at the business level. Other factors which were identified in the study included a lack of human resources necessitating frequent use of external consultants, and limited senior management support, particularly towards the end of the project life. The findings of the study generally indicate that the process used to accelerate the development of new credit card financial services was inadequate in a number of organisations, given the turbulent changing external and competitive environments. However, the research findings indicate that the causes of NSPD delays, and the actions necessary to accelerate the process, are manageable from a management control perspective. Such management actions need to

be considered and incorporated as part of the design of a new NSPD process. These management actions, as discussed in Chapter Six, can be grouped into four major categories which include:

- . senior management activities
- . management activities relating to the integration of organisational business functional areas
- . project management activities
- . organisational environment that facilitates the development of human resources and NSPD skills

7.2.2 Research Issue Two

How credit card organisations organise themselves in terms of their structure and people in order to implement the development of modified existing, bundled, and new financial services.

As earlier discussed in Chapter Six, it is necessary to recognize the limitations of some aspects of this part of the study regarding the inferences that can be drawn. Even so, a number of findings can clearly be made. An important finding from this part of the study as a whole was that the NSPD process with respect to credit card financial service products should be considered as a dynamic process which necessitates the adoption of different NSPD organisational structures, depending on the stage of development of the NSPD project.

Proposition P₃, which was discussed in Chapter Six, was not found to be supported. However, as a consequence of the examination of P₃ a number of findings resulted.

- 1) It is suggested that there is no one best way to organise

for NSPD with respect to credit card financial services. In fact, the research findings indicate that credit card organisations adopt at least five types of organisational structure.

2) The study findings would tend to indicate that credit card organisations that adopted the project matrix and project team type of NSPD structure, had a lower rate of unsuccessful NSPD projects compared to those organisations that adopted functional, functional matrix and balanced matrix structures.

3) Examination of the data relating to NSPD complexity found no appreciable differences in terms of success rates between the NSPD organisational structures adopted. There was an indication though, that the project matrix and project teams appeared to deal more successfully with more complex NSPD activities. However, given the situation that the majority of NSPD projects under consideration were not regarded by credit card organisations as complex, it could be argued that it would be prudent not to draw too many conclusions from this area of study. In particular, no substantial support or evidence was found to indicate that the traditional functional NSPD organisational structure or the functional matrix NSPD structure historically associated with financial service organisations, were more effective for projects of less complexity. However, both the functional and the functional matrix organisational structures tended overall to give a lower performance in terms of NSPD success.

4) The findings indicate that credit card managers, perhaps not surprisingly, favoured an NSPD organisational structure that

allows or facilitates substantial authority and responsibility to be given to the project manager. Likewise, the results also indicate a preference by credit card managers for an NSPD structure that facilitated the staff position of a project leader or champion. This aspect received strong support from those managers that supported a project matrix type of NSPD structure. However, the study findings would also suggest that a gap often exists between the perceptions of product managers and senior marketing managers in terms of their understanding of what is a well-organised NSPD project, particularly when related to the concept of organisational structure.

Proposition P_{4a}, which was discussed in Chapter Six, was not found to be supported. However, as a consequence of the examination of P_{4a}, one significant finding resulted.

1) This finding was that the marketing business functional area in the smaller credit card organisations (in terms of market share), is not so well developed as those of the major players in the industry. As a consequence, many of the traditional banking business functional areas, together with their internal management philosophy, still retain significant power within the organisation as a whole. Surprisingly even in the larger credit card organisations, the marketing business functional area still only has limited powers in terms of influencing business planning activities with respect to NSPD. The research findings would suggest that the marketing business functional area powers tended to be primarily focused towards the subsequent communication of the NSPD activity to credit card customers.

Proposition P_{4b}, which was discussed in Chapter Six, was not

found to be supported. However, as a consequence of the examination of P4b, a number of findings resulted.

1) The findings would indicate that credit card managers in the industry have a limited marketing skills base in terms of skills developed from outside the organisation. The majority of credit card marketing executives tended to have professional banking qualifications from the Chartered Institute of Bankers, which has only recently introduced the subject area of marketing management into its syllabus at associate level of membership.

2) Staff recruitment within credit card organisations tended to take place internally, with only a relatively low percentage of staff recruited from outside the financial service sector. As a consequence, the findings would suggest that marketing management NSPD skills tended to be developed and learnt internally and then passed on to other staff.

Proposition P5 which was discussed in Chapter Six, was found to be supported. As a consequence of the examination of P5, a number of findings resulted.

1) Senior management are strongly associated with NSPD decisions and activities with respect to the early stages of NSPD, and are least associated with the final stages. Middle management and operational staff meanwhile, tend to be more strongly associated with decisions and activities with respect to NSPD at the final stages.

2) The study findings make clear the need for managers to become more involved with all stages of NSPD, not just those stages that are appropriate to their managerial status. The study found no substantial evidence which indicated that managers

spend a lot of time on NSPD activities, relative to day-to-day tasks. In fact, the study results suggest that the smaller credit card organisations are heavily dependent on the use of external consultants for NSPD activities. It was generally found that external consultants were widely used as a staff resource by all credit card organisations.

Proposition P₆, which was discussed in Chapter Six, was found to be supported. As a consequence of the examination P₆, a number of findings resulted.

1) To a certain extent, finding support for this hypothesis was not particularly surprising, given that the literature tends to describe banks and similar financial service organisations as somewhat authoritarian, exhibiting structural characteristics of centralisation and formalisation. Even so, it was considered quite an important finding, given the implications for NSPD implementation.

2) A related finding with respect to this general area of study was that NSPD project managers, in order to control and maintain enthusiasm and commitment from colleagues from various different business functional areas (who may well exhibit different and sometimes conflicting socio-cultural differences), needed to have a degree of formal authority.

Proposition P₇, which was discussed in Chapter Six, was not found to be supported. However, as a consequence of the examination of P₇, a number of findings resulted.

The rejection of the hypothesis was a somewhat unexpected finding, as managers in the study generally perceived that a strong relationship existed between project success and project

leadership, yet this area when examined within the context of their own organisation, showed that a gap existed between reality and perception.

- 1) The findings suggest that NSPD process acceleration can be increased by delegating more responsibility to project managers, particularly towards the later stages of the project life.
- 2) The findings indicate that a relationship exists between the type of project leadership and type of NSPD organisational structure. The evidence for this finding is drawn indirectly from the results which supported the NSPD project matrix structure and to a much lesser extent, the NSPD project team structure together with the results which compared actual NSPD structure and recommended NSPD structure. The study results would suggest that the project matrix and the project team structures were more frequently adopted by credit card organisations than the other NSPD organisational structures.

7.2.3 Research Issue Three

Extent to which financial service organisations operating in complex and dynamic environments monitored their environment and undertake marketing research activities in order to develop new service products.

Proposition P₈, which was discussed in Chapter Six, was not found to be supported. However, as a consequence of the examination of P₈, a number of findings resulted.

- 1) The findings would also suggest that credit card organisations in general undertake only limited monitoring of the

macro and micro marketing environments with respect to NSPD activities. 2) The findings would suggest that senior management of credit card organisations consider that only a little information is needed to make strategic NSPD decisions. Likewise, the findings would suggest that senior management do not fully understand and appreciate the implications of changes in their external environment. This is particularly so when it comes to NSPD decision-making and the potential impact on long-term return of investment, and the achievement of sub-goals of the organisation. The study findings in many ways indicate a degree of management complacency, in that NSPD activity is often not regarded by management as a problem, but as a business activity that functions relatively well. It is also frequently considered by credit card organisations as an area of business activity where they have adequate experience and therefore, desire less information.

3) Overall, the study findings suggest that management activities with respect to NSPD activities do not explicitly involve the systematic and rigorous examination of the external marketing environment.

Proposition P₉, which was discussed in Chapter Six, was not found to be supported. However, as a consequence of the examination of P₉, a number of findings resulted.

1) The study findings suggest that marketing research is not a key activity in the development of new service products with respect to credit card financial service organisations. Customer requirements were not generally thoroughly researched before making NSPD decisions. In particular, those NSPD decisions which

related to those service product attributes that were expensive to change, and which involved changes in information technology systems, were not thoroughly researched.

2) The findings from the study clearly indicated that although credit card organisations recognized the importance of a marketing management orientation, few organisations genuinely used marketing research as a means of interacting with their customers with respect to NSPD activities. The primary focus of marketing research activity within credit card organisations, the study indicates, is mainly on competitor activity.

7.2.4 Research Issue Four

Whether credit card financial service organisations adopt any distinctive NSPD practices and techniques with respect to the generation of internal 'know-how' or competence co-ordination.

Proposition P10, which was discussed in Chapter Six, was found to be supported. As a consequence of the examination of P10, a number of findings resulted. In particular, the study identified a number of findings relating to the internal communication process with respect to the transfer of competence co-ordination or 'know-how' within credit card organisations.

1) The study findings would suggest that those organisations that had adopted a project matrix organisational structure, tended to have better levels of internal co-operation than other NSPD organisational forms.

2) The findings of the study results indicate little difference in the type of communication methods used by the various business functional areas, and the marketing business functional area.

As somewhat to be expected, the findings suggest that the mechanism for internal communication within the marketing business functional area compared to other business functional areas, was less formal, and in particular, the use of formal written communication methods appears to have decreased substantially over recent years.

3) Generally the study identified within credit card organisations, a limited communication process with respect to specific NSPD communication. The study findings indicate that NSPD communication was primarily top down, and that the organisational and hierarchical structure in many of the smaller credit card organisations did not facilitate, or particularly encourage, a reverse communication flow. However, the findings suggest that credit card organisations are attempting to consciously improve their internal communication to business functional areas using a variety of communication techniques. Even so, the results would suggest that in many areas of credit card NSPD, particularly those involving substantial changes in the existing operational systems, decisions were often made late and were poorly communicated.

4) The study findings suggest that organisational decision-makers in credit card financial service organisations often fail to communicate decision support requirements effectively to those involved in NSPD. This failure inhibited simultaneous path development efforts of managers.

5) Furthermore, the study findings suggest that a decision-structured process that is understood by its organisational members, i.e. was fully communicated and rigorously followed,

would result in a better service definition, and facilitate the development and transfer of internal skills and competence co-ordination. The resulting process would be simpler and more efficient in terms of the implementation, and could promote the more effective integration of business functional areas. Likewise, this process could also result in lower levels of change with respect to operational systems during the later stages of NSPD.

6) An important finding of the study was that senior management in credit card organisations have generally, albeit somewhat implicitly, recognized the need to incorporate the generation, sharing and development of internal NSPD skills into their management training programmes. The study identified a number of ways by which the transfer and generation of internal skills and "know how" with respect to NSPD takes place in credit card organisations. Firstly, the use of project teams and external consultants played a major role in this process. In particular the study findings suggest that the role of project teams is a useful mechanism for transferring and developing NSPD internal skills. The enthusiasm of organisational technicians was also identified as a significant factor in this process. Project management was identified in the study as also playing a key role in the selection or acquisition of internal capability with respect to NSPD skills.

7) The study would also suggest that NSPD success does not necessarily depend on whether the NSPD project is staffed completely internally, or by a combination of in-house and external consultants, in terms of skills.

8) The findings would suggest that the approach adopted by credit cards with respect to developing NSPD internal skills and competence co-ordination, reflects to a great extent a wider NSPD focus which connects the development of new service products to defined needs. In other words, NSPD seems to be driven (particularly in the smaller credit card organisations), by the needs of the organisation as a whole as against purely the enthusiasm of a project leader or champion.

9) The research findings would clearly suggest that a key to developing high levels of internal skills within credit card organisations with respect to NSPD, is through a managed process of sharing existing knowledge. The study results indicate that this process could be characterised by the extent and nature of an organisation's internal training and its ability to retain staff. However, the findings would suggest that the nature of the in-house training programmes within many of the credit card organisations tended to make their technical staff less marketable to competitor organisations, which indirectly also helped to ensure that internal organisational skills within a given area were continually developed on the basis of past experience. Clearly, this has implications for innovation. The policy of on-the-job promotion generally encouraged managers to stay with the organisation. There was a degree of commonality between credit card organisations, in terms of their human resource policies with respect to the internal promotion of staff.

10) The study findings identified at least three levels of internal NSPD skills with respect to credit card financial

service organisations. These are shown in Figure 7.1.

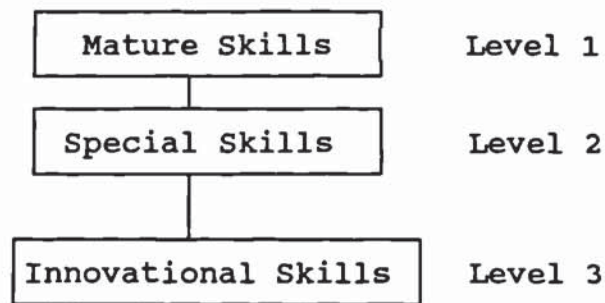


Figure 7.1 **Levels of internal NSPD skills within credit card organisations**

Firstly, level one or mature NSPD skills exist, which are already well articulated and generally available within the organisation. These NSPD internal skills or competence co-ordination, are generally characterised as skills written in procedure manuals. For example, this would include skills and knowledge about the service product offering, background information, how existing systems and services operate, administration essential to all staff members, delivery procedures and operational procedures.

Secondly, there exist level two or special NSPD skills, being those internal skills and competencies that are not as yet fully worked out and generally understood by the organisation, but are capable of being so. These NSPD skills are those acquired from previous NSPD activities and programmes and can be characterised as special or different, though they frequently mature into accepted common concepts and procedures. In many ways, these types of NSPD skills can be considered as the procedures that have not as yet been written, but soon will be.

Thirdly, there exist level three, or NSPD innovational skills which, by their very nature cannot as yet be standardised or turned into operational routines. They include NSPD activities which require vision, insight, judgement and experience. These NSPD internal skills can be characterised as those procedures that cannot be written.

The study findings indicated that credit card organisations have developed over time, a substantial collection of sub-routines, made up from past NSPD activity, which codify or classify the internal NSPD skills. As a consequence, this process has enabled some credit card organisations to move more quickly than others in business activities, facilitating the more rapid introduction of further new service products.

11) The study findings with respect to the term NSPD improvement, in the case of credit card service products, would suggest that it applies to any change in the service product offering whose implementation does not require a substantial alteration of the existing rules or operational procedures ie., a change, but a change taking place within the existing system. The study findings also indicate that a characteristic of credit card NSPD improvement is that it would normally involve only one aspect of the service product benefit, and that frequently, this would involve only one business functional area. This would require only limited inputs from other business functional areas. These activities it is argued, give rise to increased levels of internal competence co-ordination or "know-how" within that part of the organisation. Likewise, the contribution of a number of incremental NSPD improvements within credit card service products

was seen to give rise to a more significant NSPD improvement output. This was initially seen to result in operational efficiency and a new level of internal competence co-ordination that was subsequently written in terms of new operational procedures.

7.2.5 Research Issue Five

Extent credit card financial service organisations use enabling technology in NSPD, and in particular, its influence on internal competence co-ordination in terms of service product outcomes with respect to efficiency and product improvement.

Proposition P11, which was discussed in Chapter Six, was found to be supported. As a consequence of the examination of P11, a number of findings resulted.

1) The study findings would suggest that the relative sophistication of the technology systems used by credit card organisations could be linked to the organisation's relative size, (in terms of market-share) and also on the dominance of the culture of the organisation. The study also found somewhat to be expected, that credit card organisations in the study used substantial amounts of sophisticated enabling technology which could be characterised as mainly operational or tactical in nature. It was also apparent that credit card organisations also had some very sophisticated marketing research systems. These systems had interfaces with external data bases and data sources that potentially allowed some very comprehensive analysis to be undertaken. However, it would appear that for the majority of credit card organisations, more use was made of data from outside

the business than from the wealth of data available internally, particularly with respect to information about customer needs.

2) The study findings would suggest that the use of technology within credit card organisations is not fully exploited by the majority of organisations. To a certain extent, the findings of the study would indicate that many of the process practices adopted by credit card organisations are typical of the traditional financial services sector, i.e. process cost minimisation of their existing services. These findings are very much in line with comments by Channon (1986), who points out that traditional financial service organisations have paid little attention to management skills, concentrating rather on traditional banking skills. As a consequence, the new technology has been used by these organisations to develop large and sophisticated processing systems. The study would indicate that credit card organisations have mainly developed systems to handle the traditional account management functions and provide a number of layers of management with management accounting data, but have not made much provision beyond the traditional financial service information requirements.

3) The results of the study would also suggest that as credit card users increased their competence on the first generation computer systems using automated teller type machines, the industry subsequently began to identify new process applications which facilitated the mass customerisation of some new credit card services.

Proposition P12, which was discussed in Chapter Six, was found to be supported. As a consequence of the examination of P12, a

number of findings resulted.

1) The study identified a number of small credit card organisations which exhibited NSPD internal growth through the build-up of technological capabilities from the development of competencies in their traditional core business.

A number of both banking and building society organisations were identified as being particularly adept at using technology to introduce new credit card services into their portfolio of financial services. The study findings suggest that a key factor in the growth of the capability of financial service organisations to provide credit card services, is their ability to exploit technology.

2) The study findings would suggest that the successful exploitation of enabling technology with respect to NSPD was strongly linked to the integration of the business functional areas of the organisation. In particular, the study suggests that process efficiency depends on the extent to which technicians and users of technology are able to exchange experience and skills. There was some evidence from the study that credit card organisations were making substantial efforts to assess the effectiveness of their systems in terms of their contribution to operational process efficiency with respect to NSPD activities.

Proposition P13, which was discussed in Chapter Six, was found to be supported. As a consequence of the examination of P13, a number of findings resulted.

1) The study findings would suggest that the extent of integration between the different business functional areas with

respect to NSPD is influenced by a number of factors which include the continuity of the organisation's technical staff, the use of effective project management techniques, the nature of internal skills and a sharing of experience of staff from different business functional areas.

2) The study found evidence that a high level of internal NSPD skills and competence co-ordination, derived from a sharing of previous NSPD experience facilitated through a mechanism of internal training programmes, was also associated with the successful integration of NSPD activities. Credit card organisations as previously discussed, have a tendency in terms of enabling technology, to be strongest in those areas of the organisation that are perceived as important, i.e. production process operations. However, the study indicates there are no obvious reasons why credit card organisations should not develop equally sophisticated systems across the whole range of their business activities, including NSPD and the marketing business functional area. Although the larger credit card organisations (in terms of market share) are making positive moves in this direction, this was not observed to be the case with many of the smaller market share organisations. It could be argued that without a strategic impetus, the existing position will remain, and that although credit card organisations may continue to develop increasingly sophisticated systems, these will be lacking in terms of strategic focus with respect to NSPD activities.

3) The study findings reinforce the argument that in the case of credit card financial service products, information is not just a factor of production, but also the main product, and that

enabling technology acts as a conduit along which the information flows.

4) The study identified a number of interactive factors which include, the role of senior management, the sharing of existing knowledge and previous NSPD experience, in-house training, continuity of staff and cross-business functional area promotion, which favour the flow of information with respect to credit card NSPD, and which cannot be treated in isolation. The study results would suggest that each of these factors interacts with the other, with the result that feed-back will either stimulate or inhibit credit card NSPD activities within the organisation. In particular, the study findings would suggest that in the case of credit card organisations, the sharing of NSPD skills and experience are two fundamental issues which give rise to the integration of technology and people.

7.3 Research Findings with respect to the NPD Literature

The research findings differ from the existing literature in a number of ways. However, these differences are more a matter of degree, and to a certain extent reflect the generalisation of the literature with respect to financial service products. The main differences are as follows:

The study findings generally give evidence that the special characteristics of service product marketing: intangibility, simultaneity, heterogeneity and perishability, can be managed successfully in the case of some new financial service products. No significant relationship exists between the cited service product characteristics and new goods products (Stanton 1984, and

Cowell 1984), in that the findings generally support the argument by Shams and Hales (1989), that these differences between service products and goods products within the context of NSPD are not dichotomous, but are continuous and give rise to NPD process activities which differ by degrees.

Likewise, the study findings only give limited support to the argument put forward by Easingwood (1986), that there is a direct relationship between intangibility and the rate by which new service products are introduced with respect to financial services. The argument that NSPD was generally easier than new goods product development to implement, and usually resulted in service product proliferation (Berry 1980, Shostack 1984, Davison, Watkins and Wright 1989), received little support from the study findings. In fact, the study indicates that the reverse is the situation, due to the effect of simultaneity and often the need to increase the level of internal competence co-ordination within an organisation.

The findings also did not support the description of NSPD in the context of financial service products as a haphazard and unstructured process (Shostack 1984, Bowers 1986, Easingwood 1986, and Brentani 1990). Likewise, the study findings contradict comments by Scheuing and Johnson (1989), that NSPD occurs by chance in many financial service organisations. In many respects, the study findings describe a well-organised and documented NSPD process which follows a rational structured format, supporting earlier findings by Reidenback and Moak (1986), who associated the more successful financial service product organisations as having well-structured and developed

approaches to NSPD. In particular, the study findings did not support the current normative models described in the literature as representing reality (Booz, Allen and Hamilton 1982, Donnelly, Berry and Thompson 1985, Johnson, Scheuing and Gaida 1986, Bowers 1986, and Scheuing and Johnson 1989) in that they fail to demonstrate the integrative and complex nature of NSPD in an organisational framework. The findings also show that NSPD is an incremental process that is continuous in nature, which is not shown in the current models.

The study findings also tend to contradict conclusions by Brentani (1990), and Wind (1982), that service product organisations generally do not undertake high levels of investment in both financial and human resources with respect to NSPD (due to the ease of copying competitors' service products) compared to new goods product development. The study found that all organisations that participated in the study had a high investment with respect to internal training to generate NSPD internal competence co-ordination, although a lack of human resources was generally cited as a problem with respect to NSPD. The study also contradicts the argument about low levels of financial commitment to NSPD.

Another area in which the findings also tend to refute the literature, relates to the argument that being first in the market-place was not a strategic advantage for many organisations with respect to NSPD (due to the ease of competitors creating imitative "me too" service products, based on the pioneers' service product offering) (Brentani 1990, Wind 1982, and Davison, Watkins and Wright 1989). The literature generally tends to

focus on the competitive strategic advantages (Urban and Hauser 1990), and does not explicitly address other organisational inter-related factors which are relevant at the business level. In particular, marketing mix tactical programmes which are designed to maintain market share and increase service product usage.

There is a distinction between the need of service product organisations to accelerate the NSPD process to be first in the market-place, and to accelerate the process for other management reasons. This aspect of accelerating the NSPD process is not made clear in the current literature.

Although there is general agreement with the literature that argued that new service product developments are more likely to entail modification or augmentation to existing offerings, (Gummersson 1981, Jackson and Cooper 1982, Lynn 1987, Davison, Watkins and Wright 1989), the findings indicate that this position is not just a matter of cost as previously suggested, but is more fundamental and is related to the level of NSPD internal competence co-ordination within the organisation.

There is general agreement with the literature that argued that the marketing business functional area had an important role in NSPD in terms of the identification of customer needs and wants (Rothwell 1977, Hippel 1978, Easingwood 1986, John and Snelson 1988, and Brentani 1990). However, the findings indicate that the political strength, in organisational terms, of the marketing business functional area to implement NSPD projects was relatively low in some financial service organisations.

7.40 The New NSPD Model for Financial Services and the Study Findings

As discussed in Chapter Four, the proposed new financial service product NSPD model (fig 4.7) consists of three phases, or parts, which interact with four information inputs or information sets (customer market, organisational, external environmental and enabling technology). Phase one is characterised as NSPD efficiency, phase two as NSPD improvement, and phase three as radical NSPD. The model proposes that each of the three NSPD phases, are associated with a distinctive level of NSPD internal competence coordination. The model also has three NSPD outputs: new service product enhancements or service bundles, new service product quality or service product quality bundles and radically new service products.

A major conclusion that can be drawn from the aggregate results, and in particular with respect to the interviews with senior marketing managers and the resulting conceptualisation of NSPD, with respect to financial services and credit card financial service products, is that there is a gap between what actually happens in reality, and what is suggested in the literature, and by the normative models. In particular, the research findings indicate that the nature of NSPD should be seen as a complex, interactive and continuous process, and not as a business activity that is periodic. The proposed new NSPD model can be argued to be deficient in that it does not show the process as a continuous process.

In the general context, the findings also give evidence that the information set, described as enabling technology, acts as a

common thread which defines the organisation's internal NSPD skills and experience. Although this finding is generally consistent with the proposed model, the importance of this thread is not explicitly shown by the model.

From both the supported and rejected propositions, a number of inferences can be drawn within the context of the proposed new NSPD model for financial services.

Firstly, the study gives evidence that since the introduction of credit card services into the market, enabling technology has been continuously introduced and adopted by credit card organisations. Both the amount and quality of enabling technology adopted, particularly in terms of information technology, has resulted in credit card organisations experiencing improved operational efficiency. This has resulted in the reduction of operating costs, particularly in terms of operational staff. As a consequence, the findings give empirical evidence that increases in operational efficiency levels have also resulted in credit card organisations acquiring new skills. In particular, some of these skills and the sharing of experience relate to NSPD activities, although perhaps some of this experience equates to a low level of NSPD competence. This position is generally consistent with the conceptualisation of phase one of the proposed model. Similarly, the findings indicate that as credit card organisations have moved up the learning curve with respect to the use of enabling technology, they have in effect moved from an initial base level of skills, to a higher level of skills or NSPD internal competence. The findings (P10) give evidence that the generation of internal competence

coordination, can be related to specific recruitment and promotion policies of credit card organisations, including the use of external consultants . This NSPD positioning is consistent with internal competence coordination, as depicted in level one and two respectively, of the model. Secondly, the findings (P11) give empirical evidence that attainment of process efficiency, and the subsequent use of enabling technology, facilitates the introduction of incremental new service product modifications, and service product bundles. As a consequence of both these activities, an inference can be drawn (P13) that credit card organisations have undergone a substantial learning process resulting in an incremental increase in their NSPD competence coordination. It is argued that the findings give evidence of the attainment of additional skills, and the sharing of further NSPD experience. Thirdly, the findings would also indicate, and are consistent with the proposed model that a relationship exists between an organisation's level of interaction with its information sets, and the level of its internal NSPD competence coordination. Similarly, the findings indicate that the extent of a credit card organisation's interaction, with its various information sets, with respect to NSPD, can be related to its size by market share. The study found that interaction between the organisation and its information sets was characterised in a number of ways which included changes in: NSPD organisation structure (P3 and P6) and the staff involved in NSPD (P4 and P5), its customer markets described in terms of segments and the range of service product benefits offered. In the case of its external environment

information set, this can be measured by the extent to which organisations monitor change. It was found in the study, that the enabling technology information set, could also to some extent, be characterised in terms of increased usage of enabling technology, and by its relationship with the technology supply industry. This relationship, it is argued, is consistent with the representation in the model.

The study found that credit card financial service organisations had generally not recently introduced any service product output to the external consumer market, that could be described as radically new. An inference that could perhaps be drawn from this finding, is that credit card organisations have not reached a degree of NSPD internal competence co-ordination, consistent with the magnitude of any organisational change that may be required of the organisation, as a result of the launch of any such service product offering. In other words, the technological impact on administrative procedures would be unlikely to be congruent with current practice. As a result, the findings would indicate that NSPD within credit card service product organisations is generally an incremental and continuous process, characterised in NSPD outputs in terms of service improvement. This aspect was found in the study to be characterised as segment service product differentiation.

It is argued, that the general pattern of research findings supports many aspects of the proposed new NSPD model. However, the model does not reflect the continuous nature of NSPD activity, or indicate the magnitude and the interactive nature of the process between the input information sets, and the

generation of NSPD internal competence co-ordination. Figure 7.2 represents a revised model based on a general conceptualisation of the study findings illustrating the continuous and incremental nature of NSPD.

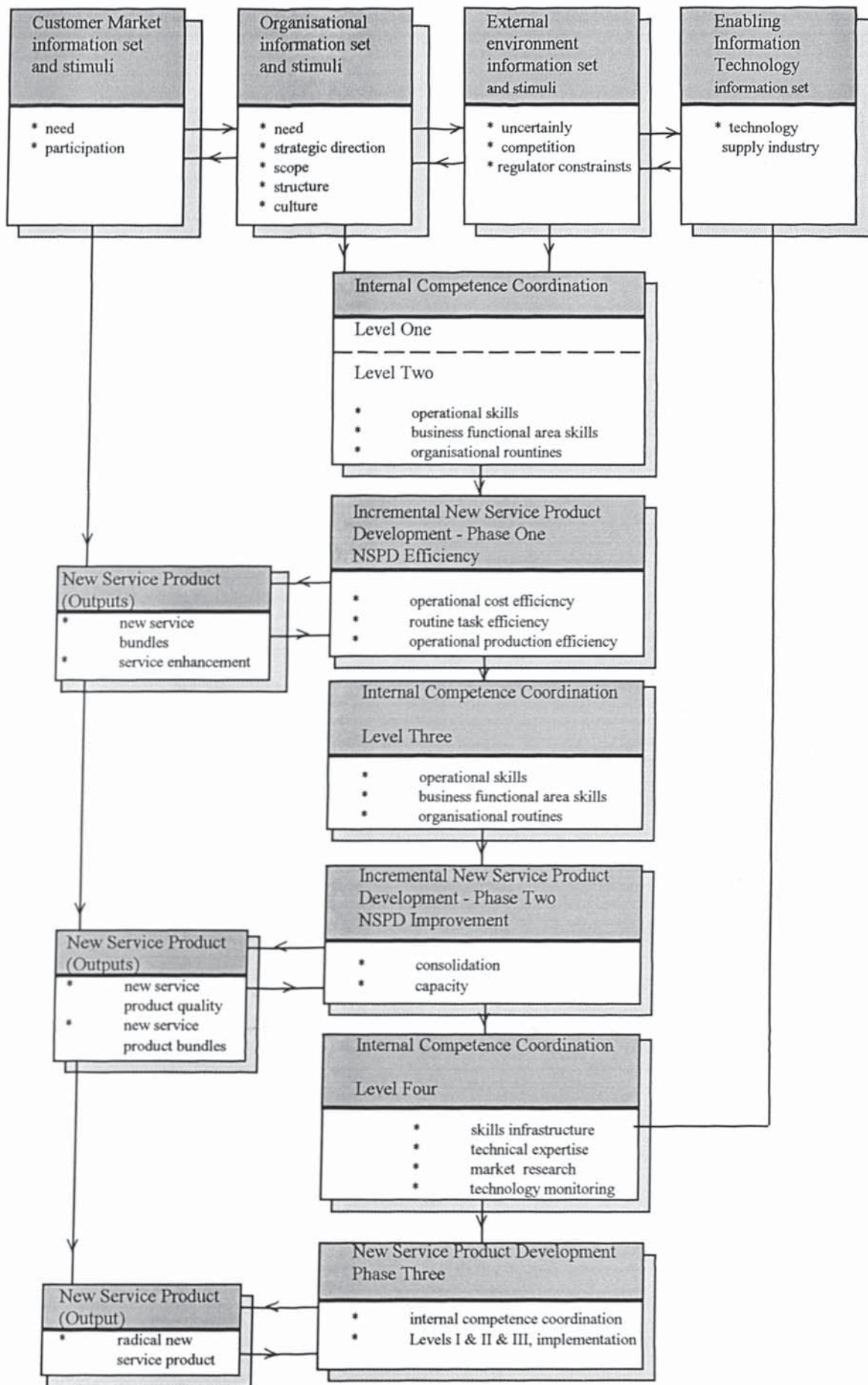


Fig 7.2 A Model For Interactive New Financial Service Product Development

Chapter Eight

Contribution of the Study, Limitations and Suggestions for Further Research

8.1 Introduction

The marketing of services and in particular financial services, with respect to the development of new service products, has been an area of marketing management that is still relatively unexplored.

Thus, the present work is an attempt to partly fill the gap identified in the financial service literature, relating to the understanding of the application of marketing in terms of concepts and techniques, to financial service organisations and specifically to the UK credit card and financial service industry.

The purpose of this chapter is to present a summary of the main conclusions and findings, discuss the contribution of the study and its limitations, and to provide some suggestions for further research in the area of service marketing in general, and financial services specifically.

8.2 Summary of Main Conclusions

The main conclusions of the thesis drawn from a testing of the hypothesis in terms of whether the proposed new NSPD model represents reality are:

(1) NSPD is still evolving.

(a) It is not fully understood; for some service product organisations, NSPD can be seen as a complex interactive process which is dynamic, incremental and continuous in nature.

(b) It can be applied in a variety of ways; for some financial service organisations, NSPD is a well-structured and well- documented process which contradicts descriptions by Shostack (1977), and Brentani (1990), where it is described as a haphazard and unstructured business activity.

(c) The NSPD process should be seen as an integrative process that reflects the organisation of people, and not just solely the specific procedural business tasks that chart the activities that should or must be undertaken as a service product moves from the creation stage to the diffusion stage and commercialization.

(2) NSPD in some financial service organisations is primarily concerned with the modification, improvement, and bundling of existing service product offerings, (the term 'new service product development improvement' applies in some service product organisations to any change in the service product offering whose implementation does not require a substantial alteration of the existing rules or operational procedures). The development of radical new service products are rare.

(3) The design of the NSPD process needs to facilitate both the needs of internal and external customers. The financial services competitive environment and changing customer

needs requires organisations to develop new services continuously and collectively. This necessitates close working relationships among people within the organisation at all levels and stages of the NSPD process. In particular, it is important for financial service organizations to undertake more market research activities in order to determine the needs of their customers.

- (4) Organisational components of NSPD are as important as the development process to the success of some new financial service products. The concept of non-separability of marketing from other management areas within the organisation (i.e. operations, human resource management, and I.T. systems), is seen as essential for the successful implementation of NSPD programmes.

(a) The results of the study demonstrate that in the case of credit card services there is no one best way to organise for NSPD, and researchers therefore need to exercise particular attention to identifying the exact form of organisational structure when discussing this aspect of NSPD. The effectiveness of any particular NSPD organisational structure can be linked to a number of factors. These factors include new service project complexity and the extent of project leadership activities.

(b) The type of NSPD organisational structure adopted by some financial service organisations will significantly influence the perceived degree of enthusiasm and motivation of NSPD participants.

(c) Although the area NSPD leadership skills was not currently seen as a major problem within credit card organisations, it is one that requires management attention to ensure future NSPD success, particularly in order to stimulate and drive other organisational members to achieve NSPD objectives. Project leaders, in order to control and maintain NSPD enthusiasm and commitment with respect to the implementation of NSPD activities, need a degree of formal authority.

(d) NSPD organisational structure and design needs to facilitate team-building at a number of levels within the organisation. Likewise, the changing environment requires a re-definition of NSPD skills and competence co-ordination at various management levels.

(e) The recruitment of individuals for NSPD project activities for some financial service organisations is strongly influenced by the extent of the candidates' previous NSPD experience, and by the socio-cultural characteristics of the project leader. Membership of any NSPD team should be determined largely by voluntary compliance as against edit.

(f) Top management support is critical to NSPD success, particularly at the early stages of NSPD, where it takes on a sponsoring role. Cultural changes arising from NSPD activities must be managed and directed, and senior managers must be encouraged to become actively involved in NSPD activity. The extent to which other managers become actively involved in NSPD in terms of responsibility, is

related to their management level, the stage of the life cycle of the NSPD programme, and their perceptions of the importance of the NSPD activity relative to their day-to-day tasks. Senior management also have an important role in reducing the incident of conflict or incompatibility arising from the effects of socio-cultural differences between the different business functional areas, particularly through instigating staff training programmes.

(g) To a great extent, all business functional areas within an organisation play an active role in the development of NSPD. Likewise, their ability to influence NSPD strategy depends on their political strength and position within the organisation.

(5) Recruitment, selection and promotional policies of organisations are particularly important factors in NSPD success, as is continuity of staff. Traditional training techniques may not be sufficient for developing new skills and transferring existing knowledge with respect to NSPD activity. Self-development programmes are required, designed to facilitate a more structured process of sharing experience from those people within the organisation who are recognized by their peers as competent, enabling a promulgation of 'best NSPD practice'. This may also necessitate recruitment of staff from outside the financial service sector in order to improve standards of 'best practice'.

(6) NSPD success does not necessarily depend on whether the NSPD

project is staffed completely internally, or by a combination of in-house and external consultants in terms of skills. In particular, project management plays a key role in the selection and acquisition of internal capability with respect to NSPD skills.

- (7) Internal communication between business functional areas is an important dimension of successful NSPD. Communication skills at all levels of the organisation, both in terms of the form and the manner of communication, need to be substantially improved.

(a) Organisational decision-makers in some financial service organisations fail to fully communicate decision support requirements to those involved in NSPD.

(b) A decision structured NSPD process that is understood by its organisational members, results in better service product definition and this subsequently facilitates the development and transfer of internal skills and competence co-ordination.

(c) The study would suggest that different business functional managers within credit card organizations can have very different degrees of involvement in the 'creation', 'development' and the 'diffusion' stage of NSPD. These differing involvements, together with different business functional views on NSPD, may well lead to decisions being made from very narrow functional perspectives. Improved levels of communication within an organisation leads to increased levels of integration of business functional areas with respect to NSPD, and may

also lead to better decision-making.

(8) The extent of integration between different business functional areas in some financial service organisations with respect to NSPD, is influenced by the level of continuity of the organisation's technical staff, the use of effective project management techniques and the nature of internal skills and a sharing of experience of staff from different functional areas.

(9) The ability of organisations to develop new or modified existing internal and external service products depends on the extent to which they have developed over time a collection of sub-routines, made up from past NSPD activity, which codify or classify the internal NSPD skills. In particular, there is a need to incorporate more formal marketing input into NSPD decisions.

(10) NSPD internal competence can be classified in terms of three skills levels:

1. mature NSPD skills - which are already well articulated and generally available within the organisation
2. special NSPD skills - which are those skills that are not as yet fully worked out and generally understood by the organisation, but are capable of being so
3. innovational NSPD skills - are by their very nature skills that cannot as yet be standardised or turned into operational routines.

(11) The generation of NSPD internal competence co-ordination is an important factor in the development of new service products, and requires the adoption of a number of

distinctive management practices which include:

- (a) high levels of informal and formal communication between business functional areas through the use of the wide range of communication techniques
- (b) the use of internal training programmes to promote NSPD project ownership and for sharing existing NSPD knowledge
- (c) the use of external consultants to achieve new NSPD skills through a managed process
- (d) the use of project NSPD teams as a mechanism for transferring internal skills
- (e) the need to reflect to a greater extent, a wider NSPD perspective which connects the development of new service products to defined customer needs.

One of the most important findings that emerged from the study in this area, is that senior managers need to attach more importance to the training and relationship of people involved in NSPD activity.

(12) Enabling technology is an important factor in the effective delivery of some new financial service products. It has the potential to facilitate 'mass customerisation' and provide a solution to both the needs of the customer and the supplier organisation.

(a) Increases in the level of internal competence arising from the use of enabling technology lead to improvements in existing service product offerings in the case of some financial service organisations.

(b) The use of enabling technology in some financial

service organisations with respect to NSPD acts as a stimulus for more de-centralised management, flexible decision-making structures, and promotes better communication between different business functional areas.

- (13) The sharing of NSPD skills and experience are two fundamental issues which give rise to the integration of technology and people.
- (14) Increases in the level of NSPD internal competence co-ordination lead to increases in service product operational efficiency factors, which facilitate the adoption of incremental NSPD improvement or modification strategies.
- (15) NSPD process efficiency can be linked to project leadership skills, the extent of communication with other business functional areas and increases in the use of enabling technology.
- (16) The extent to which the NSPD process facilitates the flow of information will either stimulate or inhibit organisational NSPD activities.
- (17) In some financial service organisations, information should be treated not just as a factor of the service product but as the main service product, and enabling technology should be seen as the delivery channel along which the information or service product flows.
- (18) There is a need for managers involved in NSPD activities to carry out a more systematic and rigorous analysis of their external marketing environment and to adopt more formal and informal measurement techniques. Senior management of some financial service organisations have little commitment to

the macro environmental analysis process, which suggests that they consider little information is needed to make NSPD decisions. Similarly, some managers do not fully understand the importance and scope of NSPD decisions in terms of their potential impact on the long-term return of investment and sub-goals with respect to their organisation's objectives.

- (19) There is a need for NSPD organisations to undertake more market research activities in the development of new service products. To some extent, the limited amount of market research activities carried out by some financial service organisations with respect to NSPD is a result of the combined effect of service intangibility, heterogeneity and indivisibility. Consequently, a modified approach may be required in market research for new financial service products. A move towards a greater use of qualitative techniques may well be the right direction.
- (20) The study found that marketing managers from different credit card organisations who are actively engaged in NSPD activities, faced many of the same problems, issues and opportunities. In particular, there was a common need for credit card organisations to adopt more formalised marketing control systems in order to monitor NSPD performance.
- (21) Time, which is an increasingly important dimension of NSPD, is frequently poorly addressed by managers at both the strategic and business levels. The causes of NSPD delays and the actions necessary to accelerate the process, are

manageable from a management perspective. Such management actions need to be considered and incorporated as part of the design of a new NSPD process.

- (22) The findings would suggest that there is still a need for credit card organisations to develop more positive attitudes or cultures towards NSPD, and in particular, to focus on strategic issues, as against tactical action programmes. NSPD strategy needs to be based on a proactive and interactive relationship with customers, enabling technology suppliers and corporate strategists.
- (23) The model for interactive new financial service product development demonstrates a flexible process which allows many service products entrance at different times. The model enables NSPD activities to overlap from stage to stage, and from one business functional area to another. As a consequence, this integrative process facilitates incremental changes in the levels of internal competence co-ordination of people within an organization involved in NSPD activities, and enables a synergistic integration of new skills which leads to NSPD success.

The research findings are supported with data collected from detailed discussion with senior marketing managers with respect to both the Strategic and Business organisational levels. The findings are particularly significant, in that they are based on discussions drawn from managers from the majority of UK Credit Card financial service organisations.

8.3 Contribution of the Study

The present study makes a contribution to marketing management science in three areas:

1. New Service Product Development
2. Financial Service New NSPD
3. Credit Card Financial Service NSPD.

The contribution is made at two distinctive levels:

1. Academic
2. Practical.

Firstly, this study has dealt with a relatively neglected area, ie new service product development with respect to financial services. This area of marketing has been the subject of only a limited number of empirical and analytical studies, compared to new goods product development of consumer and industrial goods products, which have in comparison received considerably more attention from researchers.

As the adoption of 'marketing techniques and concepts in the development of new service product is relatively new in service organisations in general, and in the UK credit card industry in particular, the work is a further study of the diffusion of marketing in this area, in order to gain a better understanding of the relevance and contribution of marketing to the development of new financial service products. Unlike most of the literature reviewed, the study has examined aspects of NSPD both from a macro and micro holistic marketing perspective. In this way, the work offers some insight for both the marketing scholar and the manager in financial institutions. In particular, the work has made an academic contribution in four dimensions:

1. The development of a new NSPD model
2. Testing of the new model in terms of the extent to

which it represents reality

3. The completion of gaps in the literature originally identified
4. Addition of a theoretical contribution to the literature

Secondly, a contribution of this study is the development of the framework or model, by which academic researchers and managers can conceptualise specific NSPD process activities, and their relationship to the NSPD process as a whole, including the organisation, and its external environment. The model's value derives from its capacity to integrate the various NSPD components so as to forge both a new synthesis of our knowledge of NSPD, and linkages with other management disciplines which suggest new lines of analysis.

Thirdly, this study is original in that it explores a sector of the UK financial service industry, which has not been previously examined within the content of NSPD. In addition, to the body of literature which offers evidence that service organisations in particular are using marketing management techniques and concepts, this work makes a practical contribution in terms of providing useful empirical data and information. The use of this data can enable marketing managers of UK credit card organisations to understand various areas of new service product development with respect to possible improvements in order to maintain customer satisfactions, achieve organisational objectives, and assist in the development of competitive strategy.

8.4 Limitations of the Study

Research, because of the various constraints within which it is conducted, has varying degrees of limitations. This study is not an exception.

Firstly, the theoretical limitations of the study are considered. The study did not attempt to specifically examine the customer interface relationship of NSPD because of time constraints and the magnitude and scope of the work involved in this area. It was also considered that this area of marketing is currently the focus of attention of a number of academic researchers: Parasuraman, Berry, and Zeithaml (1985, 1988, 1990, 1991), Bitner, Boons and Tetreault (1990).

The study neither attempted to define or explicitly identify specific factors of "success" or "failure", with respect to NSPD, since it was considered that a body of literature already exists (Rothwell et al 1974, Cooper 1984, Reidenback and Moak 1986, Cooper and Kleinschmidt 1987, Johne and Snelson 1988, Brentani 1990, Easingwood and Storey 1991), albeit in the case of financial services, very small.

The model does not attempt to indicate which dimensions or components of the NSPD process are more important than others, or the magnitude of those components, but focuses on the integrative conceptual nature of the components of NSPD. Likewise, the study has not attempted to explicitly identify the completeness of NSPD process activities of financial service organisations.

Secondly, the study exhibits some limitations relating to the methodological approach adopted for the study. Because of the

nature of the research objectives, it was considered that high levels of data currency which facilitate the generalisation of findings or external validity were required, and as a result, the study sacrificed to some extent the level of data integrity. As previously discussed in Chapter Five, confidentiality was considered to be of the highest priority by credit card organisations in terms of their agreement to participate in the study. As a result, some data, considered by credit card organisations as fundamental to their competitive market position, was not made available.

A further limitation was the sample of participants in terms of both the face-to-face interviewees and the questionnaire respondents which were generally all drawn from the marketing business functional area of the organisation. An attempt was made in the first instance, to solicit participation from other business functional areas within credit card organisations. However, other business functional areas were generally less receptive about the study on the grounds of confidentiality than the former, who generally exhibited some empathy for the study. Consequently, it could be argued that the findings may exhibit a view from only one albeit influential, functional area.

The study also exhibits some limitations in the analysis of the findings as a result of the difficulties with respect to the analysis and interpretation of small sample numbers, even though as reported in 5.9, the level of participation both in terms of the face-to-face interviewees and the questionnaire respondents was very high, particularly if considered in terms of market share.

Again, because of the aspect of confidentiality, the study had some limitations in terms of practical considerations. As reported in Chapter Five, it was not possible to record the interviews by audio tape because of the sensitivity of the subject area and, in some instances, detailed note-taking at the time of interview was not permitted either. This necessitated the making of careful notes, after the event. Also, as reported in Chapter Five, a condition of participation by the credit card organisations was the agreement of confidentiality which subsequently placed limitations on the nature of the reporting of the findings. This was particularly pertinent in the area of NSPD performance and in terms of relating current practice to NSPD activities, with respect to credit card size defined by market share. As a consequence, it was difficult at times to make a valid comparison between the behaviour of different credit card organisations.

Thirdly, although the study did not set out to generalise beyond the credit card financial service product sector, a limitation of this study is the extent to which the findings, drawn from a case study approach of one sector of the financial services industry, can be representative of the financial service industry as a whole.

8.5 Suggestions for Further Research

Since the area of NSPD with respect to financial service organisations is still relatively unexplored, the opportunities for further research are substantial and numerous. An

exploratory study by its very nature invariably raises additional questions, and again, this study is no exception. Although the study provides considerable practical insight into NSPD with respect to credit card financial service products, as well as empirical content for theory development, further research is clearly needed.

The following are recommendations for areas of research for further investigation, based on findings and inferences drawn from the present study.

1. The findings of this study indicate that in the case of credit card financial services, radical new service product development as such does not usually take place. Hence NSPD activity is essentially involved with service product modification and the bundling of service products. Likewise, the study findings indicate that such activities with respect to NSPD should be seen as a continuous process. Consequently, a suggestion for further research is to expand the scope of the present work beyond the credit card market, and to examine the extent to which these NSPD characteristics are typical of other sectors of the financial service industry.
2. Another approach is to examine the extent to which one area of the study can contribute to improved NSPD performance in financial service organisations. For example:

- (a) How other sectors of the financial service industry generate NSPD internal competence or 'know-how', and how organisations ensure their ownership.
- (b) How human resource management activities such as motivation of staff, training, team-building and recruitment, affect the efficiency of the NSPD processes with respect to other financial service product sectors.
- (c) Whether NSPD prime-movers in other sectors of the financial service industry enjoy any strategic advantage, be it measured in terms of financial market share, or competitive market position.
- (d) How credit card financial service organisations which now have the potential to access substantial amounts of customer data and information, develop data base management. This study gives evidence that the present approach is piecemeal at best. Although this approach may well be cost effective in the short term, it is argued that the findings would indicate that this position is unlikely to be effective over a longer time horizon.

3. The research findings, based on a limited sample size, give some evidence that the NSPD project matrix structure, could be more successful in managing NSPD projects of low complexity than other NSPD organisational structures. This is an area that merits further research, using a larger sample size which examines a range of service sector NSPD projects.

4. Much more research is also needed to understand the relationship between financial service organisations and their external environment with respect to NSPD activities. The problem facing many financial service organisations is how to sense and detect more quickly and effectively, changes in their input information stimuli, and translate such changes into NSPD strategy.
5. The findings gave evidence that many financial service organisations with respect to credit card service products have a relatively high reliance on external technical skills for aspects of NSPD, particularly to build up initial levels of internal competence co-ordination or 'know-how'. Likewise, this study reports that credit card organisations subsequently attempt to generate and transfer a basic level of NSPD competence co-ordination, through internal training programmes. The role of external consultants, particularly in terms of how they should be organised to ensure the transfer of NSPD skills, would seem a valuable area for further research. This study found that external consultants with respect to NSPD programmes, were frequently engaged in what could be described as adhoc activities, which were usually based on short term time horizons, characterised as cost effective 'turn key' operations.
6. Much more research is needed on the customer technology interface, particularly with respect to financial services and credit card service products. As earlier stated, every time customers use an electronic application either

directly or indirectly, they are communicating with the financial service provider. However, it is argued that in reality, the technology encounter for many customers is not of human-like texture. It is evident from this study, that the majority of NSPD activity in financial service products is technology orientated, or has a high technological component. The credit card financial services sector is perhaps special in that the technology aspect is up-front at the consumer interface, or more specifically, at the fingertips. It was also evident from the field study that there was a general belief by marketing managers and product managers, that technology was incompatible with a customer focus. Klivans (1990), comments that customers do not like technology because they cannot understand it; it frightens them; technology makes life harder; complicates rather than facilitates, makes mistakes and is cold since it does not incorporate the service essentials identified by Berry, Zeithaml and Parasuraman (1990). In the case of credit card organisations, the findings would suggest that technology has been used primarily for efficiency and operational cost reduction purposes.

7. Finally, further research could be undertaken to examine the validity of the new NSPD model in terms of its suitability to describe more effectively and efficiently not only other sectors of the service product industry, but also to explain new goods product development.

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SENIOR EXECUTIVE QUESTIONNAIRE

INSTRUCTIONS.

- 1 Please ignore any questions you wish, as partially completed questionnaires are still of statistical value.
- 2 Questions should be answered in terms of how they apply to your organisation. Please circle or tick your response against a number as appropriate.
- 3 Please write in BLOCK CAPITALS throughout .
- 4 Finally, if you do make a mistake, or wish to change your response please simply cross it out and continue.

The questionnaire consists of two parts. The first section contains general questions which are concerned with some of the organisational aspects of your credit card operation, in particular, the status and importance of new service product development and the marketing functional business area. The second section identifies a number of propositions associated with financial service industry.

1. Which of the following terms below best describes your industry -
(Please tick a maximum of TWO numbers)

- * Credit business 1
- * Flexible payments business 2
- * Banking business 3
- * Financial services business 4
- * Loans business 5
- * Money business 6
- * Financial customer business 7
- * Others - please specify 8
- * 9
- * 10

2. To what extent do the following statements / factors lead to a better understanding of your company's core business:

Significance: 1=High 5=Low	1	2	3	4	5
Growth in earnings per share or other profitability ratio					
Customer groups that will be served					
Customer needs that will be served					

Company management skills and special strength/competence					
---	--	--	--	--	--

3. How are you organised to plan and control the total marketing effort for your credit card service product?

- * A formal marketing department dedicated to credit card products1
- * A shared marketing department with other financial products..... 2
- * As part of a centralised marketing department which has responsibility for ALL financial products.....3
- * Marketing is not specifically assigned to any one department4

4. How do you co-ordinate and integrate marketing activities with activities other departments?
(Please tick all that apply)

- * Committees 1
- * Interdepartmental meetings 2
- * Headquarters staff 3
- * With staff individuals on a 'need to know' basis 4

To your knowledge, how frequent are such meetings held with each business functional area

- Once per week 1
- Two or three times per week 2
- Two or three times per month 3
- Once per month at least 4
- Once per quarter 5

5. Do you have a detailed marketing strategy and operational plan covering the next 12 months?

- * Marketing strategy Yes [] No []
- * Marketing operations Yes [] No []
- * New service products Yes [] No []

6. Who is responsible for preparing marketing plans with respect to credit card new service product development at the strategic level ?

Senior marketing executive(s) and his/her immediate staff	1
All the major credit card functional department heads.	2
Headquarters corporate staff	3

Chief executive officer for credit cards service products	4
Chief executive officer for credit card service products and Senior marketing executive	5

7. Please indicate the contribution of the following persons to the development of new credit card financial service products.

1=Significant Contribution 5=No Contribution	1	2	3	4	5
Chief Marketing Executive					
Marketing Manager					
Functional Department Heads					
Headquarters corporate staff					
Chief Executive Officer					
Marketing Functional Managers					
Credit card product managers					

PART 2

For each of the following propositions, please indicate your position on the scale that you feel best describes your organisations position about the statements.

1 = Strongly Agree 5 = Strongly Disagree	1	2	3	4	5
1. The organization's mission statement is written in a form that is understood by staff at all levels.					
2. The mission statement is periodically updated using a clearly defined procedural mechanism.					
3. A marketing philosophy permeates the thinking of the whole organization.					
4. The marketing business functional area is well represented within the organization at both the senior executive and board levels.					
5. Management decisions at all levels within the organization are influenced by the mission statement.					

6. Marketing specialists with expertise from outside the financial service sector are used at all levels in the organization when necessary, both in terms of permanent positions and on a consultancy basis.					
7. Staff at all levels are aware of their individual role and contribution towards the achievement of organizational objectives.					
8. Before new service products are launched, the marketing implications both externally and internally are fully analyzed					
9. Senior managers within our organization can be seen and approached by all levels of staff.					
10. The organizational culture tolerates new service product development failure.					
11. Managers are encouraged to take responsibility for tasks - delegation is common.					
12. Staff at all levels are encouraged to participate in new service product development activities.					
13. The organization has well defined lines of reporting and control systems which operate at all business levels.					
14. The organizational structure is well defined and understood by all staff and is responsive to changes in the competitive environment.					
15. The organization encourages new service development activities by providing all the necessary resources required.					
16. Our organization is driven by customer needs.					
17. Technology is acquired by our organization to support new service product developments.					
18. We have a well-organized internal mechanism for sensing our customer needs based on staff feed-back.					
19. Information technology support activities are efficient, of a high quality, and responsive to management needs.					

20. We have a good understanding of the use of technology as a business facilitator.					
21. We closely monitor the activities of our existing and potential customers on a regular basis.					
22. An understanding of customer needs and an analysis of buyer behaviour is essential to corporate success.					
23. New service development project leaders or champions usually occupy senior management positions.					
24. The timing for new service product launch with respect to credit card services by our organization has been very good.					
25. A high proportion of senior managers have obtained valuable skills and knowledge from outside the traditional financial services sector.					
26. In many instances new service products are not the results of planned initiatives, but arise from fortuitous events/happenings.					
27. New service product ideas are developed by our organization as the need requires, determined by corporate and marketing objectives.					
28. We have an excellent internal communication system which informs staff of the progress of other project proposals.					
29. We tend to evaluate multiple new service product proposals simultaneously, rather than on an individual basis.					
30. The structure and culture of our organization encourages and supports service product champions.					
31. New service product development leaders or champions can be characterized in our organization by their willingness to support new initiatives and their strength in terms of overcoming internal resistance.					
32. New service product development is focused around the organization's existing core skills and knowledge base.					
33. We have an established mechanism for assessing the risks and rewards which arise from new service product development activities.					

34. We seek to develop new market segments.					
35. Staff training at all levels within our organization is treated as a high priority.					
36. In order to reduce the risk of failure of new service products in the marketplace, we use rigorous test procedures.					
37. Customer feedback indicates that our staff are equal or of a higher calibre than those of our competitors.					
38. Increased profit with respect to bank credit card services will come as a direct result of increasing efficiency in the operational aspects of the business.					
39. Marketing policies within our organization do not create inter-departmental conflicts.					
40. Marketing is more concerned with advertising and communication than other business activities.					

Thank you for your time and kind assistance ,please return the questionnaire to:

'Credit Card Project'
Faculty of Management and Business
Nene College,
Boughton Green Road,
Northampton NN2 7 AL.

SENIOR MARKETING EXECUTIVE QUESTIONNAIRE

INSTRUCTIONS.

1. Please ignore any questions you wish, as partially completed questionnaires are still of statistical value.
2. Questions should be answered in terms of how they apply to your organisation. Please circle or tick your response against a number as appropriate
3. Please write in BLOCK CAPITALS throughout.
4. Finally, if you do make a mistake, or wish to change your response please simply cross it out and continue.

The following questions briefly examine the history and foundation of formal marketing of credit cards within your organisation.

1. How many staff at present work within the marketing department responsible for credit card products?

Number of executives	[]
Number of clerical, support staff	[]
How many or % of marketing staff have formal marketing qualifications (business degree, Diploma of Chartered Institute of Marketing)	[]

2. Was the marketing department formally established around the same period as the other departments of your credit card company/business?

Yes	No	Substantially later
[]	[]	[]

When was the last time the (marketing) department was subject to a full management systems audit ?

Within the last 12 months	[]
Within the last 2 years	[]
Over 3 or more years	[]
Has not been subject to an audit	[]

3. How would you rank the marketing department's importance to the company relative to other departments in terms of its political strength to influence business planning activities? and in particular new service development.

Please rank on a scale of:

High					Low
5	4	3	2	1	

Which department within the credit card business would you consider to have the least political influence on new service product planning activities?

.....

4. How would you describe the role of information technology within the context of new credit card development. From

the list of statement shown below, indicate if you agree, disagree (strongly- stgly or slightly - sltly) or neither agree nor disagree with each statement.

1=Strongly Agree 2=Slightly Agree 3= Neither Nor 4=Disagree strongly 5= Disagree slightly 6= Don't know NEW TECHNOLOGY:	1	2	3	4	5	6
will substantially increase labour productivity in existing credit card services						
will reduce costs						
improve efficiency of service delivery particularly with respect to existing service products						
new technology leads to improving existing credit card services as against developing radically new services						
leads to a strategy of product differentiation (with respect to competitors' products)						
new technology is a stimulus for more flexible management decision-making						
promotes better communication between different business functional areas of the organization						
new technology is a stimulus for decentralised management structures						

5a. In the development of new* credit card products (new* includes services/products relating to credit cards that are: (1) either completely new to the marketplace, (2) new to the company, or (3) new modifications to an existing credit card service), does your organisation follow a formal product development process.

[] Yes

[] No

5b. The following sequential stages 5.1 - 6.2 depict activities defined by a classical new product/service development process model . Please indicate the relative importance of each of the

following stages to your credit card business:

5(1) Service Idea screening.

- A group decision/no formal techniques ☐
- Single individual makes the decision (no formal technique used) ☐
- Single individual makes the decision with formal techniques, check lists of criteria rating forms ☐
- A group decision based on formal technique checklists etc. ☐

5(2) Preliminary Market Assessment

1= To Great Extent 5= To Low Extent

Contacts with customers	1	2	3	4	5
Discussions with merchants	1	2	3	4	5
Review of competitors credit card/products/services	1	2	3	4	5
Access published data	1	2	3	4	5
Internal assessment/discussion session (market already known)	1	2	3	4	5

5(3) Operations/Technical Assessment

	Yes	No
Capability/Feasibility Analysis	<input type="checkbox"/>	<input type="checkbox"/>
Operational Assessment	<input type="checkbox"/>	<input type="checkbox"/>
Service Specifications	<input type="checkbox"/>	<input type="checkbox"/>
Service design/service model	<input type="checkbox"/>	<input type="checkbox"/>

5(4) Detailed Market Study
(Market research)

1=Passive 5=Aggressive	1	2	3	4	5
A study of: Competitor credit card services and interest charges	1	2	3	4	5
What customers need or want in new credit card services including generation of product specification	1	2	3	4	5
Market size and market characteristics	1	2	3	4	5

5(5) Business/Financial Analysis

1= Very Important 5= Low Importance	1	2	3	4	5
-------------------------------------	---	---	---	---	---

Costs and sales forecasts					
Discounted cash flow analysis					
Return on investment analysis					
Payback period/breakeven analysis					
Net present value					

- 5(6) Informal analysis only estimates
- | | |
|-----|-----|
| Yes | No |
| [] | [] |
- 5(7) Product service testing
- | | |
|-----|-----|
| Yes | No |
| [] | [] |
| [] | [] |
- 5(8) Test market
- | | |
|-----|-----|
| Yes | No |
| [] | [] |
| [] | [] |
- * selling the service to a sample of selected customers only
- * selling the product in a limited specific geographic area only
- 5(9) Systems/operations testing
- | | |
|-----|-----|
| Yes | No |
| [] | [] |
| [] | [] |
- * testing of operational systems
- * testing of the integrity of the service that the operational systems yielded

5(10) Pre commercialization Business Analysis
Please indicate the appropriate position

1= Highly Important 5= Low Importance	1	2	3	4	5
A detailed financial analysis, involving a return or profitability analysis					
A review/integration of marketing					
A cost review: a review of marketing channels, operational costs and marketing costs					
Information only: sales forecasts and marketing cost projections					

- 5(11) Market Launch
Can you please indicate as appropriate the extent to which the launch stage is recognized as a distinct and identifiable activity?

To a great extent			To no extent	
1	2	3	4	5
[]	[]	[]	[]	[]

6. Does your department's marketing strategy formulation process explicitly include formal consideration of the strategic role new services will play in fulfilment of corporate credit card objectives?

Strategy formulation does not consider in quantitative terms the contribution of new service product development yes []
No []

Some implicit consideration is given to the role of new service product development yes [] No []

A complete analysis is done to assess the impacts and contribution of new service / product development yes [] No []

7 How would you describe the internal cooperation (the extent to which managers work together) between the various credit card operational departments with the marketing department with particular reference to new service development ? .

Excellent	Very good	Satisfactory	Poor	Bad
[]	[]	[]	[]	[]
5	4	3	2	1

8. How would you describe the coordination (the extent to which managers of different departments coordinate mutual activities ie., pull in the same direction) between credit card departments with reference to new service development.

Excellent	Very good	Satisfactory	Poor	Bad
[]	[]	[]	[]	[]
5	4	3	2	1

9. What is the mechanism you use most frequently to coordinate business activities with respect to new service development activities between departments? (Please rank the following items 1= most frequent method 6=least used method

Occasional round table meetings between managers	[]
Regular meetings between managers	[]
Reports	[]
Memorandums / directives	[]
Verbal / telephone	[]
Informal / meetings	[]

10. In the case of credit card services and your organisation, can you please indicate your position with respect to the introduction of technology and the following statements:

1=Strongly Agree 2=Slightly Agree 3= Neither Nor
4=Disagree Slightly 5= Disagree Strongly

Development of internal skills is becoming increasingly important.	1	2	3	4	5
Internal skills are best developed using external consultants.	1	2	3	4	5
Introduction of new service products will depend on the enthusiasm of the organisations technicians	1	2	3	4	5
In-house training is the key to developing high levels of internal skills by sharing existing knowledge	1	2	3	4	5
Project teams provide a useful mechanism for transferring and developing internal skills	1	2	3	4	5

11. Which of the project management structures listed below, best fits and describes the structure most frequently used to development credit card service products by your organisation (please tick the appropriate heading)

Functional ☐

The project is divided into segments and assigned to relevant functional areas and/or groups within functional areas. The project is coordinated by functional and upper levels of management.

Functional matrix ☐

A project manager with limited authority is designated to coordinate the project across different functional areas and /or groups. The functional managers retain responsibility and authority for their specific segments of the project.

Balanced matrix ☐

A project manager is assigned to oversee the project and shares the responsibility and the authority for completing the project with the functional managers. Project and functional managers jointly direct many work-flow segments and jointly approve many decisions.

Project matrix ☐

A project manager is assigned to oversee the project and has primary responsibility and authority for completing the project. Functional managers assign personnel as needed and provide technical expertise.

Project team ☐

A project manager is put in charge of a project team composed of a core group of personnel from several functional areas and/or groups, assigned on a full-time basis. The functional managers have no formal involvement.

12. Please consider a recent new credit card service project undertaken by your organisation. Can you evaluate it in terms of the success in meeting targets outlined below.

1 = On target 5 = Off target	1	2	3	4	5
Meeting schedules / target dates					
Controlling costs					
Service / product performance					

11. For the project you identified in the previous question (10) please indicate your assessment of its complexity or difficulty relative to an existing mature service product

Very complex Low complexity
5 4 3 2 1

12. On the basis of recent experience would you recommend that your organisation changes its present structure to another structure, with respect to new service product development?

Yes ☐ No ☐ Do not know ☐

If yes, which of the structures shown in question (10), would you recommend that your organisation adopts with respect to the project identified in the previous questions (11) and (12), if you were to undertake the same project again? ☐

13. Some researchers have suggested that new product/service success depends on the existence of key individuals such as a project champion, a business innovator etc. Do you agree with this statement? Is it applicable to credit card services?

Yes No Do Not Know
☐ ☐ ☐

If you examine some recent new credit card projects that your organisation has recently undertaken, can you indicate the significance of any individual contribution made by a "project champion" or its equivalent to its success.

Highly Significant No Significance
1 2 3 4 5

14. Do ideas for new credit card products come from one department, or are a number of departments encouraged to participate?

1 department 2 departments 3 or more departments
☐ ☐ ☐

How are these ideas inspired?

15 Ad Hoc ☐ Ad Hoc + analysis ☐ Idea generation techniques ☐

To what extent are the service / product idea generators given guidance on their task in writing?

Not at all	To some extent	Extensively
1	2	3

How much influence does the CEO have over the flow of new ideas?

Encourages free thinking.	1
Defines a strict area for free thinking	2
Controls the sort of ideas that proceed	3

From what level in the organisation are ideas for credit card products/services usually taken up?

Department executive	Middle level	Top level
1	2	3

16. How important is ownership at an individual and functional area level for new service product development activities in your organisation?

1= Highly Important 5= Low Importance

1	2	3	4	5
---	---	---	---	---

Does your organisation develop training programmes to promote project staff ownership?

Yes[] No [] Do not know []

If your answer to the above question was yes please briefly indicate the type of training you use

.....

What is the role of external consultants with respect to new service development and project management ?

17. Does your company research the customer market before it decides to introduce or develop a new or modified credit card service?

(Please tick as appropriate)

Always	1
Sometimes	2
Never	3

If your answer was yes please indicate how customer research is generally carried out? (Please tick appropriate box)

	Yes	No
By your own staff		
Own staff at least 50% of research data		
By specialist outside organisations		
At least 50% by outside organisations Specialist surveys and research only		
Others (please specify).....		

Which of the following market intelligence methods does your credit card organisation use ?

1 =Very Regularly 5= Never	1	2	3	4	5
Monitor competitors credit card advertising					
Ask your customers about competitors					
Talk with competitors and their employees					
Use bank credit card employees					
Observe competitors business					
Review commercial information sources about competitors credit card services					
Ask suppliers, and other intermediaries about competitors					
Use competitors credit card services					
Hiring staff from competitors credit card organisation					

18. Please indicate the extent to which the statements below represent your views on new service product development process activities, with respect to operational efficiency ie, consider the ratio of useful work performed to the total work expended.

1=Strongly Agree 2=Slightly Agree 3= Neither Nor 4=Disagree Slightly 5= Disagree Strongly	1	2	3	4	5
Increased levels of process efficiency can be best achieved by greater expenditure on technology					

Process efficiency depends on the level of skills within a given business functional areas					
Process efficiency depends on the retention of skills developed from earlier projects					
Process efficiency depends on the extent to which technicians and users are able to exchange experience and skills					
Process efficiency depends on project leadership skills and communication with other business functional areas					

19 Does your organisation use any analytical management techniques for measuring process efficiency?

Yes [] No []

If yes, which tools do you use :

20 How does your organization make new service product development decisions? Below are 2 sequential decision process models which describe proactive and reactive new product development. Which of these best describes your position? Firstly, (A) in the case of modifying existing service products.

A (Model 1 [] or Model 2 [])

Secondly, (B) in the case of the development of completely new service products.

B (Model 1 [] or model 2 [])

MODEL 1		MODEL 2
Development of marketing strategy		Sense actions of competitors
Identification of new service product opportunities		Evaluate actions of competitors with respect to new products

Design new service product and determine customer product definition and service positioning		React, copy, improve or defend with respect to competitors' new product development
Test new service product with customers in terms of needs and wants. Marketing mix specification.		Test new service product with customers and read the situation fast
Introduce new service product		Introduce new service-product
Manage new service product over life cycle		Manage new service product over life cycle

21 Has your organization with respect to credit card service products experienced a need to reduce the development time for its new or modified service products since 1980?

Yes [] No []

If yes, please briefly indicate the reason.

22. Likewise, can you briefly indicate the nature of any product delays that your organization has experienced with new service product development .

23. What are the major factors which have influenced your credit card company's decision to introduce new or modified services to the market?
(Please tick all that apply, and rank in order of importance - (1) to the most important reason, (2) to the second, and so on, but leaving blank any that do not apply)

- * Competitors introduce a similar service []
- * Market research studies indicate the need for a new or modified service []
- * Improve the image of the credit card []
- * As a competitive marketing action to maintain present market position []
- * To increase market share []
- * To compensate for changes in the business environment []
- * For operational/production reasons []

24. In your opinion is the use of the organisational name more important or less important than the credit card service brand name of Visa or Mastercharge, in determining your promotion / communication activities. (please circle the most appropriate number on the scale).

5 =Very Important 1 = Low Importance	1	2	3	4	5
At the business level					
At the consumer level					

25. How does your organization communicate with its staff to inform them of new service product activities?

News letters/company internal magazine	
Memorandums	
Departmental meetings	
Telephone/electronic mail	
Others - please specify	

How frequently does this communication activity take place?
Please tick the appropriate box below.

- As the need arises []
- Monthly []
- Quarterly []
- Yearly []
- Others []

As a new service product (or enhanced service product) development proceeds to the launch stage, how does the frequency of communication to staff regarding the same service product offering alter?

Increase :	Substantially	[]
	Marginally	[]
Remain about the same		[]
Decrease		[]

In your opinion, because of the intangible nature of credit card services, how important is 'image positioning' in order to help prospective customers get a mental 'fix' on the service. (please circle the most appropriate number on the scale).

Extremely important		Not very important
5	4 3	2 1

26. Does the internal communication process facilitate a good understanding of new service product definition within the organization?

To a great extent		To no extent
1 2 3	4	5

In the case of new service product definition, does the level of this understanding within your organisation affect the rate of internal adoption of new service products?

To a great extent		To no extent
1 2 3	4	5

If your answer was basically yes, i.e. to a great extent, please indicate how this in practice affects your organization.

27. Does new service/product development or service enhancement activities have an explicit role in the development of service image positioning strategy ?

1. Yes 2. No 3. Not Sure

If 'yes' does such activity lead to an explicit segmentation strategy?

1. yes 2. no 3. not sure

In the development and design of additional service benefits for an existing credit card service does the process follow more or less the same as that of a completely new credit card service product?

To a great extent To no extent
1 2 3 4 5

28. If your answer to the above was [4] or [5] can you briefly indicate how it differs.

--

29. How would you describe the new service product development process?

As an incremental process, i.e. development takes place as a series of discrete stages over a relatively long time period resulting in minor modifications to the existing service product offering.	
As a complete process defined by a series of sequential service development decisions.	
As a process which results in a radically new service product offering.	

30 In terms of departmental responsibility, can you please indicate the level of management which is most closely involved in new service product activity for each of the three stages listed below. Please rank importance on the scale 1=very important 5=not important

Early stage of new service product development	Senior corporate executive []	Senior managers []	Middle manager []	Operational staff []
Middle stage of new service product development	[]	[]	[]	[]

Final stage of new service product development	[]	[]	[]	[]
---	-----	-----	-----	-----

31. In your opinion, how important is the role of senior management in facilitating the "speeding up" of new service product activities?

To a great extent

To no extent

1 2 3 4 5

Do some managers (defined by departmental responsibility) play a greater part in "speeding up" the new service product development process within your organization?

Yes [] No []

If your answer was yes, can you please indicate the departments mainly involved.

--

32. For the following statements, please indicate your organization's position:

1 = to a great extent, 5 = to no extent	1	2	3	4	5
The present organizational structure does not facilitate freedom and responsibility to enable individual managers to become highly involved with new service development activity	1	2	3	4	5
Managers spend a lot of time talking about new service development yet nobody seems to have time to carry it out	1	2	3	4	5
We have no real problem getting the right managers involved in new service development activity	1	2	3	4	5
Our organization is responsive to the requirements of new service development efforts	1	2	3	4	5
New service development should be relatively autonomous to minimise interference from business functional area managers	1	2	3	4	5

Service product bundling results in increased levels of operational efficiency	1	2	3	4	5
Service product bundling is used as a technique to meet the needs of specific market segments/customer needs	1	2	3	4	5
Service product bundling is used to develop brand loyalty and improve service product performance, i.e. encourage customers to buy a combination of other financial services	1	2	3	4	5

36. Which of the following descriptions given below best describes the marketing information system used by your organization in the course of its new service product development activities?

[1] A data bank system which primarily gives reports only on request, and serves basically as a data retrieval and collation system which has a minimal statistical capability.

[2] A data bank system which contains substantial data relating to customer needs (described in marketing management terms).

[3] A data bank system which is extended to include systems for drawing inferences and predictions which is based on software packages such as Lotus 1-2-3.

[4] A data system which includes systems for incorporating the organization's value system and criteria for choice as part of a decision support system.

1 [] 2 [] 3 [] 4 []

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4. In the development of new* credit card products (new includes services/products relating to credit cards that are:(1)either completely new to the marketplace,(2) new to the company, or(3) new modifications to an existing credit card service), does your organization follow a formal (written) product development process?

[] Yes [] No

5. The following sequential stages 5.1 - 6.2 depict activities defined by a classical new product/service development process model. Please indicate the relative importance of each of the following stages/ activities to your credit card business:

5(1) Service Idea screening.

A group decision/no formal techniques []
 Single individual makes the decision (no formal technique used) []
 Single individual makes the decision with formal techniques, check lists of criteria rating forms []
 A group decision based on formal technique checklists etc. []

5(2) Preliminary Market Assessment

1= To Great Extent 5= To Low Extent

Contacts with customers	1	2	3	4	5
Discussions with merchants	1	2	3	4	5
Review of competitors credit card/products/services	1	2	3	4	5
Access published data	1	2	3	4	5
Internal assessment/discussion session (market already known)	1	2	3	4	5

5(3) Operations/Technical Assessment

	Yes	No
Capability/Feasibility Analysis	[]	[]
Operational Assessment	[]	[]
Service Specifications	[]	[]
Service design/service model	[]	[]

5(4) Detailed Market Study
 (Market research)

1=Passive 5=Aggressive	1	2	3	4	5
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A study of: Competitor credit card services and interest charges	1	2	3	4	5
What customers need or want in new credit card services including generation of product specification	1	2	3	4	5
Market size and market characteristics	1	2	3	4	5

5(5) Business/Financial Analysis

1= Very Important 5= Low Importance	1	2	3	4	5
Costs and sales forecasts					
Discounted cash flow analysis					
Return on investment analysis					
Payback period/break-even analysis					
Net present value					

5(6) Informal analysis only
estimates

Yes No
[] []

5(7) Product service testing
within the organisation
outside the organisation

Yes No
[] []
[] []

5(8) Test market
* selling the service to a sample of
selected customers only
* selling the product in a limited
specific geographic area only

Yes No
[] []
[] []

5(9) Systems/operations testing

Yes No
* testing of operational systems [] []
* testing of the integrity of the service
that the operational systems yields [] []

5(10) Pre-commercialization Business Analysis
Please indicate the appropriate position

1= Highly Important 5= Low Importance	1	2	3	4	5
---------------------------------------	---	---	---	---	---

A detailed financial analysis, involving a return or profitability analysis					
A review/integration of marketing					
A cost review: a review of marketing channels, operational costs and marketing costs					
Information only: sales forecasts and marketing cost projections					

5(11) Market Launch

Can you please indicate as appropriate the extent to which the launch stage is recognized as a distinct and identifiable activity?

To a great extent To no extent
1 2 3 4 5

6. Please indicate the extent of your personal involvement in new service product development activities within your organization.

To a great extent To no extent
1 2 3 4 5

At what stage in the development process would you consider your contribution is the greatest?

Initial planning stage []
Service/product design []
Service/product testing stage []
Service/product launch []
Internal training []

7. How important do you consider new service product development activities relative to the day to day operational marketing programmes?

Very important Not important
1 2 3 4 5

How much time do you estimate you spend on new service product development activities?

Days [] per month
Days [] per quarter

Do you consider more time should be spent on these activities?
yes [] No [] if 'yes' how much more time % []

8. Does your responsibility for marketing action programmes with

respect to new service/product developments cover all elements of the marketing mix? (Product, price, promotion, place).

Yes ☐
No ☐
Some elements only ☐

Please underline those elements for which you have no responsibility.

9. Do you have any responsibility for developing added service value in terms of service/product bundles to existing credit card products?

Yes ☐ No ☐

If yes, is such responsibility more concerned with:

Planning ☐
Design ☐
Marketing Mix ☐
Internal Training ☐

10. In the formulation/ design of your marketing- action programmes for credit card products do you regularly monitor the macro and micro marketing environments.

Yes 1
No 2
To some extent 3

If your answer was yes or to some extent, how do you carry out this task?

We use a 'best' guess scenario 1
We explicitly estimate possible effects using quantitative methods 2
We use several scenarios based on other banking research 3

How important would you rate this activity in terms of formulating marketing action programmes with respect to new service product development.

Highly important 1 2 3 4 No importance 5

11. In your opinion to what extent do you consider that your organisation has the right organisational structure at the operational level in order to facilitate the adoption and implementation of new service products (in terms of people with

	To a great extent				To no extent
(a)	1	2	3	4	5

Are some business functional areas (departments better structured and organised in this respect than others?

(b)	Yes	No	Do not know
[]	[]	[]	[]

Which business functional area / department do you consider is in the best position?.....

Which business functional area / department do you perceive as the least well structured and organised with respect to new service product development?

Why?

12. How frequently do you report to senior marketing management the decisions you have made with respect to the formulation of marketing action programmes ?

Very frequently (at least 3 times per week)	1
Often (at least once per week)	2
Infrequently (about 2 times per month)	3

What is the main means of the reporting system?

Formal meeting	1
Informal meeting	2
Written report only	3
Combination of informal meeting and written report	4
Telephone	5
Memorandum	6

How many other managers are normally present at such meetings?
[]

13. Does your credit card products department's new service product development process explicitly include implementation aspects such as; required reorganisation, staff changes, modification to systems, policies and training?

New service product development does not consider these factors. []
Some implicit consideration is given to potential major implementation problems. []
A complete analysis is done to assess the impacts and feasibility of these factors with respect to new service product development []

14. What is the nature of the system that monitors the success of marketing action programmes as they relate to new service development?

At least 50% by outside organisations Specialist surveys and research only		
Others (please specify).....		

18. Which of the following market intelligence methods does your credit card organisation use?

1 =Very Regularly 5= Never	1	2	3	4	5
Monitor competitors credit card advertising					
Ask your customers about competitors					
Talk with competitors and their employees					
Use bank credit card employees					
Observe competitors business					
Review commercial information sources about competitors credit card services					
Ask suppliers, and other intermediaries about competitors					
Use competitors credit card services					
Hiring staff from competitors credit card organisation					

19. Indicate which marketing research functions are performed by your credit card staff and those by an outside agency:
(Please tick all that apply)

	Own Staff	Agency
Market definition	[]	[]
Estimating market potential	[]	[]
Estimating market penetration	[]	[]
New service/modification	[]	[]
Concept testing	[]	[]
Consumer buying behaviour	[]	[]
Motivation research	[]	[]
Image research	[]	[]
Pricing/interest charge research	[]	[]

20. What are the main reasons for not doing more market research?
(Please tick all that apply and rank in order of importance, assigning (1) to the most important reason, (2) to the second, and so on, but leaving blank any that do not apply.)

* Cost []

using mainly your:

Internal marketing/Advertising staff	1
Solely with external advertising agencies	
in conjunction with internal advertising staff.	2
Commissioned advertising experts not part of a main	
advertising agency working with your own staff.	3

24. In your opinion, because of the intangible nature of credit card services, how important is 'image positioning' in order to help prospective customers get a mental 'fix' on the service. (please circle the most appropriate number on the scale).

Extremely important				Not very important
5	4	3	2	1

25. Does new service/product development or service enhancement activities have an explicit role in the development of service image positioning strategy ?

yes [] no [] not sure []

If 'yes' does such activity lead to an explicit segmentation strategy?

yes [] no [] not sure []

26. In the development and design of added value to an existing credit card product in terms of additional service product benefit, does the process follow more or less the same process as that of a completely new credit card service product?

To a great extent				To no extent
1	2	3	4	5

If your answer to the above was [4] or [5] can you indicate briefly how it differs.

27. In the development of value added service products, how important is skills sharing and staff training as a mechanism for implementing new service product activity?

Highly important				No importance
1	2	3	4	5

To what extent does your organisation in practice undertake this activity?

To a great Extent To no extent
 1 2 3 4 5

28. How would you describe the new service product development process?

As an incremental process, i.e. development takes place as a series of discrete stages over a relatively long time period resulting in minor modifications to the existing service product offering.	
As a complete and substantial process described by a series of sequential new product development decisions.	
As a process which results in a radically new service product offering.	

29. Can you please indicate the key marketing staff by job title or normal operational responsibility who are generally closely involved in new service product activity.

Early stage of new service product development				
Middle stage of new service product development				
Final stage of new service product development				

30. In your opinion, to what extent do the activities of senior management facilitating the "speeding up" of new service product developments?

To a great extent To no extent
 1 2 3 4 5

Do some managers (defined by business functional area responsibility) play a greater part in "speeding up" the new service product development process within your organization?

Yes [] No []

If your answer was yes, can you please indicate the business functional areas mainly involved.

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31. For the following statements, please indicate your organization's position:

1 = to a great extent, 5 = to no extent	1	2	3	4	5
The present organizational structure does not facilitate freedom and responsibility to enable individual managers to become highly involved with NSPD activity	1	2	3	4	5
Managers spend a lot of time talking about NSPD, yet nobody seems to have time to carry it out	1	2	3	4	5
We have no real problem getting the right managers involved in NSPD activity	1	2	3	4	5
Our organization is responsive to the requirements of NSPD efforts	1	2	3	4	5
NSPD should be relatively autonomous to minimise interference from business functional area managers	1	2	3	4	5

32. In your opinion, to what extent are the various business functional areas integrated by internal NSPD communication programmes?

To a great extent	To no extent
1 2 3	4 5

33. In the case of the statements given below please indicate which of these best describes your organization's position with respect to staff resources

1 = To a great extent, 5 = to no extent	1	2	3	4	5
All new service product development projects involve (a) a team	1	2	3	4	5
b) a project leader/champion	1	2	3	4	5
A variety of business functional area staff specialists are drawn from throughout the whole organization to form a project team	1	2	3	4	5

Project team leaders select the team members	1	2	3	4	5
The organization places a great reliance on external consultants to undertake new service product development activities	1	2	3	4	5

34. Similarly, please indicate your organization's position with respect to the development of service product bundles in terms of a credit card financial service package.

1 = agree 5 = disagree	1	2	3	4	5
Service product bundles within our organization are treated as marketing gimmicks	1	2	3	4	5
Service product bundles are used primarily by our organization to enhance the overall performance of the service in terms of:	1	2	3	4	5
(a) consumer perception					
(b) increased demand for the product	1	2	3	4	5
(c) differentiate the service from competitors	1	2	3	4	5
Service product bundling is seen as an extension of NSPD activity	1	2	3	4	5
Service product bundling necessitates increased levels of service product efficiency	1	2	3	4	5
Service product bundling results in increased levels of operational efficiency	1	2	3	4	5
Service product bundling is used as a technique to meet the needs of specific market segments/customer needs	1	2	3	4	5
Service product bundling is used to develop brand loyalty and improve service product performance, i.e. encourage customers to buy a combination of other financial services	1	2	3	4	5

35. Which of the following descriptions given below best describes the marketing information system used by your organization in the course of its new service product development activities?

[1] A data bank system which primarily gives reports only on request, and serves basically as a data retrieval and collation system which has a minimal statistical capability.

[2] A data bank system which contains substantial data relating to customer needs (described in marketing management terms).

[3] A data bank system which is extended to include systems for drawing inferences and predictions which is based on software packages such as Lotus 1-2-3.

[4] A data system which includes systems for incorporating the organization's value system and criteria for choice as part of a decision support system.

1 [] 2 [] 3 [] 4 []

Thank you for the time and kind assistance, please return the questionnaire to:

'Credit Card Project'
Faculty of Management and Business
Nene College,
Boughton Green Road,
Northampton NN2 7AL.