

Modelling of a new service concept development process

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ABSTRACT

Scientific and special literature suggests a number of different models for the implementation of new services, but most of them are contradictory in terms of both the content and the sequence of stages. This article proposes a model for one stage of the development of a new service – concept feasibility assessment and designing of a service system. Every idea can be developed by several concepts. The application of the suggested model allows choosing the best concept of a new service. A flexible structure of the proposed model enables differentiating concepts according to technical complexity and the source of ideas. This article explains the order of designing a service system. The construction of the suggested model allows skipping assessment of service concepts that are simple in technical and technological terms and proceeding to the next stage of development. Situations where assessment of service concepts can be omitted are discussed and validated in the article. The application of the model under analysis makes it possible to reduce assessment expenditures and the time needed for evaluation as well as the implementation of a new service.

KEYWORDS: new service development, concept of new service, concept assessment, model of assessment, service system.

Introduction

New service (NS) development is essential if organizations are to survive and grow. Yet, the process can be complex, time-consuming, costly and often unsuccessful. It is therefore important for the service business sector to thoroughly analyse all relevant processes, to work out systematic provisions for the development and implementation of new services and to elaborate efficient methods. The development and implementation of new services are common problems faced by many service undertakings. This is due to occurring risky decisions determined by improper activity planning or managers' unawareness of the optimal sequence of required procedures subject

to external and internal conditions. Scientific and special literature suggests a number of different models for the implementation of new services, but most of them are contradictory in terms of both the content and the sequence of stages. Some authors offer service implementation schemes that are very general, containing general action scenarios and thus making implementation thereof even more difficult under realistic business conditions due to the likelihood of improper decisions.

The research object is the instantiation of a generated new service idea which is approved as appropriate for further development up to its conceptualisation, assessment and designing of a service system. This implies that a new service concept is an interim outcome of the implementation process resulting from the instantiation of a new service idea. Some authors skip the stage of conceptualisation and concept assessment without any justification of such a decision, while other researchers, on the contrary, pay much attention to concept building and assessment, emphasising this stage as one of the most essential in new service implementation schemes. Therefore, we can say that existing approaches to the reasonability of new service conceptualisation and assessment are contradictory in their essence, and there is a lack of a concept assessment methodology adapted to service business. These circumstances should be regarded as a problem relevant both to science and business. This problem presupposes a need for a more detailed analysis of researchers' opinions and arguments regarding the reasonability of the stage of new service conceptualisation, assessment and service system design in the chain of new service implementation processes as well as a need for a justified analysis-based concept assessment solution.

The aim of this article is to provide a substantiated model of assessing new service concepts and designing service systems. The following tasks shall be accomplished to achieve this aim:

1. to analyse opinions and approaches found in scientific literature in relation to concept elaboration, to subject them to critical assessment and to develop rational solutions;
2. to propose an assessment model for the suitability of a new service concept by elaborating arguments as to the contents of its functional components and application sequence subject to business conditions; and
3. to discuss the process of designing a new service system and incorporating this stage into the analysed model of concept assessment.

1. A methodological approach to new service conceptualisation

A product concept is a detailed version of the new-product idea stated in meaningful consumer terms (Kotler *et al.*, 1999). The need for generating a new service concept is rationalised by research-based arguments of Zeithaml and Bitner (2003) suggesting that an idea describes only general provisions of a new service which, if made more accurate, can even lead to some fundamental changes aimed at better satisfaction of certain segment consumers. The aforesaid authors stress that a designed concept of new services is targeted at a particular market segment and therefore creates a possibility to maximise consumer satisfaction.

Designing a concept of a service as that of a product is described by Edvardsson, Gustafsson, Roos (2005). The authors of this article find it reasonable to agree with the content of their concept building given some adjustments. Edvardsson *et al.* (2005) suggests complying with available research outcomes providing detailed characteristics of the process of concept elaboration. The above-mentioned researchers support J. Grönros' service concept description and argue that a new service concept helps to express the service provider's idea of what consumer problems he intends to tackle and how. Furthermore, Edvardsson *et al.* (2005) also support the Grönros' service concept description in that a new service concept should reflect the stance of an undertaking in respect of the three key characteristics of a new service:

- 1) the nature of activities;
- 2) the nature of potential relationships between consumers and service provider as well as service outcomes; and
- 3) the degree of solving consumer problems.

Edvardsson *et al.* (2005) further specify that building a new service concept also includes instantiation of ideas by identifying the above-mentioned characteristics whose form may depend on the nature of services. Likewise, it is suggested that the first of the aforesaid characteristics – the nature of activities – could be also instantiated in the description of a NS idea. In this case, while building a NS concept, it is reasonable to emphasise the nature of likely relationships between consumers and service providers by describing them in more detail. It is worth noting that Davis and Moe (1997) similarly define the process of concept building suggesting that, in order to identify the ability of a new service to satisfy consumer needs, it is reasonable to select certain quantitative characteristics as early as at the stage of concept building and to foresee their likely values for commercial feasibility of the concept.

What is doubtful in the Edvardsson *et al.* (2005) approach is considering their proposed characteristic of the degree of solving consumer problems as an element of NS concept building. The degree of solving consumer problems can be expressed as consumer satisfaction with a new service, and therefore it is reasonable to consider it as a criterion of NS concept assessment. To summarise, the process of NS concept building could be described as consisting of the following stages:

- 1) identification of the nature of activities (which might as well be identified in the description of NS idea); and
- 2) a detailed specification of a NS idea by identifying likely quantitative characteristics for certain procedures.

To develop the concept of new services, it is reasonable to invoke internal experts who, in their turn, would use available results of market needs assessments, as obtained during earlier stages of implementation, for identifying the above-mentioned NS characteristics in this process. Incidentally, Crawford (1994) also suggests that concept building and assessment procedures should be vested upon experts. When there are no adequately qualified staff members to perform the concept building and assessment procedures, it is advisable to approach business consultancy companies, as suggested by Melnikas, Jakubavičius, Strazdas (2000).

Having analysed new service procedures which should be implemented simultaneously, Alam and Perry (2002) omit the stage of concept building and suggest that ideas and concepts should be assessed at the same time. There is no rationale in this suggestion because it refers to categories which are fundamentally different and thus require different assessment. Moreover, we can only assess what we have on hand, i.e., we can start with the assessment of an idea which serves as a basis for concept building and could be further evaluated by different criteria too.

It is worth noting that simultaneous building and improvement of concepts seem to be better substantiated in terms of shortening the duration of this stage. Discussion of the methods of presenting concepts to consumers already opens up an opportunity to adjust and improve the concept in order to better adapt it to the needs of a certain consumer segment (Gomes, Yasin, Lisboa, 2007).

2. Analysis of commercial feasibility of a new service concept and service system design

Once NS concepts are built, the next step in the principal scheme for new service development and implementation is concept assessment (Bivainis, Drejeris, 2006). Davis and Moe (1997) specify this definition in more detail suggesting that the next stage of concept development is the analysis of its commercial feasibility. Commercial feasibility of new service concepts is analysed in terms of their conformity to the existing and future business conditions. If the results of the analysis show that the NS concept satisfies the aforesaid business conditions, the next logical question revolves around the need of NS design. If such a need is established, the next issue has to do with certain conditions of technology designing. Once NS technology is designed, it is time to proceed to assessing further development opportunities, i.e., NS suitability in terms of technical implementation, attractiveness to the market, etc.

It should be noted that researchers have quite controversial opinions as to the sequences of stages of concept assessment and analysis of business conditions in the process of new product (service) implementation. In addition, some authors even omit the stages of concept building and assessment as a result of failure to reach a consensus about the necessity thereof and different interpretation of these stages vis-à-vis business environment analysis.

2.1. Assessment of a new service concept and conformity of business conditions

Tidd and Bodley (2002) presented a development scheme for new products where the first component represents concepts building, while concepts assessment procedures are proposed as the second component. It should be noted that such an approach brings some confusion as to the consistency of the process. The point is that concepts are built on the basis of ideas, while origination of an idea is not even mentioned by these authors. Wood (2003), an advocate of a systematic approach to the implementation of innovations, skips the stages of concept building and assessment arguing that a new product is developed (anticipated) on the basis of selected and assessed ideas that have been recognised as suitable. Incidentally, Wood (2003) emphasises the importance of the idea assessment stage and of the results obtained at that stage, because the results serve as a basis for making fundamental decisions as to further development of a new product (service). The aforementioned approach of omitting the concept assessment stage might be justified when

services to be implemented are simple in technical and technological terms and only provided that sufficient demand for them is guaranteed in the future. Zeithaml and Bitner (2003) provide an explanation of different approaches suggesting that in service business segregating assessment of the concept and idea of technically and technologically uncomplicated services is not reasonable due to exclusive characteristics of services (i. e., inseparability, intangibility and perishability). Yet, in order to present a more universal model, Zeithaml and Bitner (2003) omit the stage of evaluating ideas in a scheme for new service implementation and suggest that service concepts should be built on the basis of existing ideas and further propose assessment of new services concepts. The statements of Zeithaml and Bitner (2003) also reflect some divergence from systematic provisions. It is therefore more reasonable to support Wood's (2003) opinion as to the necessity of idea assessment and the importance of relevant actions.

The authors of this article share the opinion that the stage of idea assessment should not be omitted. The importance and necessity of idea assessment are justified in the article *New Service Ideas Screening* by Bivainis and Drejeris (2008). If this stage is omitted, it is quite possible that ready-built concepts will have to be rejected during their assessment on grounds of concepts lacking in prospects and being built on the basis of a wrong idea. In this case, the costs of concept building turn to be worthless. In order to avoid such worthless costs, assessment of ideas is suggested at earlier stages, while concepts should be built only on the basis of screened ideas that have been recognised as suitable. Accordingly, Wood's (2003) arguments as to the strict organisation of screening and selection procedures for new service ideas could be supported allowing for unreasonableness of screening technically and technologically uncomplicated services as well as service concepts requiring minor modifications, known to an undertaking and/or consumer, not requiring high implementation costs or delivered by other undertakings. It is reasonable to omit the stage of concept assessment in the implementation of the aforementioned services. The latter conclusion is based on the fact that particular ideas of new services have already been tested at an earlier stage and recognised as suitable for the existing or future business conditions. Assessment of ideas for other service concepts is found to be reasonable in order to justify increasing NS implementation costs required at the stage of designing and commercialisation of new services. Differentiation of service concepts by technical-technological complexity should be vested upon internal experts, because this factor should have different weight in undertakings with different technical capacities. In

addition, differences of this concept are determined by staff qualifications and the nature of business activities.

It is worth noting that concurrent concepts assessment and analysis of business conditions are seen as quite reasonable. Many researchers do not even differentiate these processes. For example, Davis and Moe (1997) suggest that concept assessment implies testing of commercial feasibility of a concept under existing business conditions, i.e., the two processes are identified and not singled out in the proposed model. Likewise, Davis and Moe (1997) specify that assessment of commercial feasibility of a concept in the market implies familiarising the market with the characteristics of a new product describing the main properties thereof and testing consumer reaction (degree of recognition) vis-à-vis satisfaction with the proposed NS characteristics. It is instructive to note that the model of Alam and Perry (2002) also suggests simultaneous performance of these procedures.

Special attention should be paid to a weighty contribution of Rahman (2003) in the studies of the suitability of business conditions for different business branches and suggested research methodologies. He sees suitability of business conditions by selecting a business-friendly environment and presents a model of international market selection based on assessment-grouped quantitative criteria used to identify the sufficiency of market size and the suitability of market structure. Unfortunately, the criteria which are predominant in Rahman's works (2003) are appropriate for assessing development opportunities in the external environment and only for international markets. Although it might be admitted that some criteria are suitable for screening an existing concept in terms of new service feasibility not only in an international market but in local ones as well. For the purpose of clearness, it should be noted that it is reasonable to reject new service concepts at the stage of assessing their commercial feasibility if further development and commercialisation thereof do not guarantee the achievement of goals identified in the strategy, i.e., business conditions are recognised as unsuitable for developing the concept.

Cramp, Beverly (1994) and Salavou (2004) clarify the necessity of analysing business conditions in new product development from the perspective of concept ability. They state that the probability of commercial success of a new product substantially increases if analysis shows that a concept corresponds to market requirements. Incidentally, it is meaningful to accept the proposition of these researchers that market analysis is necessary at most stages of new product development. Trot (2001) also properly explains the significance of market analysis for new product development. He supports

Rahman (2003) opinion that appropriate selection of a market segment determines the amount of selling and profit. According to Trot (2001), analysis of business conditions sometimes show that a new product is unmarketable, although after some time this product can sustain sensational success. According to Trot (2001), it is always reasonable to verify market availability for admission of a new product (service).

To continue Trot's (2001) idea, it can be predicated that Olsen, Sallis (2006) significantly colligate consumers' willingness to accept a new product and the level of particularity analysis of business conditions. They segregate two levels of particularity analysis: "narrow scanning" and "broad scanning" (Olsen, Sallis, 2006, p. 467). They suggest performing narrow scanning on cases when concepts of services are developed according to ideas which emerge at the initiative of consumers because the development of such services is requisite for them. This attitude is grounded in the approach that consumer's proposals as to the necessity of a new product eliminate the need to test a new service from the perspective of consumer satisfaction. In this case, market preparedness to admit a new product is considered sufficient and emphasis is placed on the evaluation of technical feasibility of a new product and suitability of new service technology by consumers approach. By the assertion of Olsen and Sallis (2006), broad scanning should embrace not only evaluation of consumer satisfaction, but also evaluation of compliance with ecological requirements, competitiveness and other environmental evaluations.

Crawford (1994) suggests making an analysis of business conditions according to his model of economic analysis of a concept which has been widely argued-out and accepted as appropriate. This model is based on expert evaluation of technical and commercial feasibility of concept development. Crawford (1994) proposes a set of criteria for technical and commercial evaluation of a concept and a scale for determining significance of the criteria. It is useful to accept this differentiation of technical and commercial criteria, but in technical assessment it is more reasonable to follow Drejer (2000) approach. He states that assessment of a concept's technical feasibility is more reasonable from the perspective of suitability of new service technology. The authors substantiates Drejer's suggestion with a provision that every concept can have several technological solutions, so technical assessment is more reasonable after making a decision as to a particular feasible technology of a new service.

It is reasonable to accept Schnetzler's (2005) suggestion for commercial evaluation of concepts. She offers a questionnaire for the assessment of concepts and states that obtained answers will allow determining the best concept

of a new service corresponding to the present and future business conditions. The above-mentioned author suggests comparing different concepts of some ideas according to the answers obtained from the questionnaire. It is possible to accept the substance and significance of the questionnaire, but it would be reasonable to add some questions relating to the capacity of the external environment to implement NS according to a given concept. It is also meaningful to support the approach of concepts assessment using the expert method. According to Schnetzler (2005), it is reasonable to opt for the concept which receives more positive answers in the questionnaire. It is worth noting that Crawford (1994) also favours the opinion for evaluation of concepts by the expert method. There are almost the same indicators in his accepted set of criteria as offered by Schnetzler (2005). Incidentally, the criteria offered by Rahman (2003) are also almost identical with those suggested by Schnetzler (2005).

Therefore, in selecting a concept for development, it is reasonable to find answers to these questions:

1. Does the NS concept under analysis reflect customer requirements, their requests, and likings?
2. Are consumers' requests adequately expressed in the technical characteristics of NS?
3. * Does the NS concept consider the problems of existing services?
4. Is the NS concept more advantageous compared to competitors' services?
5. * Is the environment more customer-favourable compared to the environment of existing services or provided by competitors?
6. Does the NP concept foresee any possibilities to meet market requirements?
7. * Do possibilities exist for a proper handling of environmental, disposition and other ecologic problems while implementing the NP service?
8. * Are the actions taken according the NS concept not in conflict with industrial safety requirements?
9. Is the service based on the new concept superior to existing services?
10. Is the service based on the new concept more accessible to consumers?
- 11.* Is service realization according to the new concept in line with the requirements of external environment?
- 12.* Is technical implementation of the service according to the new concept feasible?
13. Will the NS improve the process of the existing service?
14. Is the new service more attractive to consumers than existing services?

It should be noted that the evaluation as suggested by Schnetzler (2005) and modified by the authors of this paper basically satisfies the requirements for broad scanning of a new service concept accepted by Olsen, Sallis (2006). Furthermore, it is possible to choose criteria for narrow scanning from the questionnaire proposed by Schnetzler (2005) and supplemented by the authors of this article. Criteria of narrow scanning have to correlate with assessment of technical possibilities for concept development. Therefore, it is reasonable to draw up a new set of criteria (3, 5, 7, 8, 11, 12) and to apply them to narrow scanning of the concept analysis proposed by Olsen, Sallis (2006). So, criteria of narrow scanning are stated in proposed questionnaire for selecting the best concept of new service.

One has to admit that if a concept does not meet at least one criteria of the narrow scanning analysis, its further checking has to be stopped and this concept has to be eliminated. Furthermore, the authors suggest a supplementary indicator – identification of the significance of the criteria and selection of the most suitable concept by applying a scoring method. It is appropriate to use the scoring method when two or more concepts have received the same amount of positive answers and there is a need to assess which of them is the best.

Incidentally, it should be clarified that new service concepts based on which new services are designed only for international markets should be assessed using Rahman's (2003) model suggesting the use of criteria exclusively devised for the evaluation of possibilities of the external environment in certain markets. Responsibility of conceptual evaluation is bigger due to relatively higher implementation costs. Rahman (2003) therefore aims at selecting specific criteria.

When a new service concept overcomes the above-mentioned obstacle, in most cases the next stage is designing a new service technology. The reasonability of this stage is discussed and argued by Bivainis, Drejeris (2006). Davis and Moe (1997) state that the technology of a new service has to be designed on the basis of conceptual characteristics which need to be evaluated and accepted as well-chosen. Incidentally, practical testing of new service concepts is a complicated task in service business by reason of exclusive characteristics of services (Zeihaml, Bitner, 2003).

2.2. A model of analysis of the feasibility of a new services concept and designing of a service system

After structuring peculiarities and circumstances of the reasonability of concept assessment, as discussed in the previous section, a model of analysis of commercial possibilities of a new service concept and its development is drawn (Fig. 1).

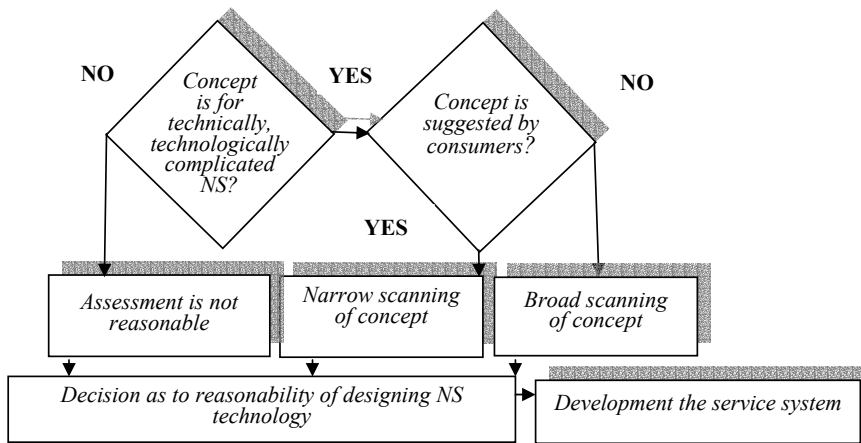


Fig.1. Model for assessing the feasibility of a new service concept and its development

The purpose of concepts analysis is checking commercial feasibility for its further development in a certain market and developing an appropriate service system for a successful service process. Commercial possibilities for development are checked by comparing the concept with the existing business conditions.

As it is mentioned above, every idea can have several concepts for its further development. So the purpose of this assessment is to identify one which would be the best in certain conditions in the analyzed market. The concept given the biggest number of points is considered to be the best.

As mentioned by many researches, one of the most important conditions for a successful new service development is designing an appropriate service system. The service system incorporates “the resources available to the process for realizing the service concept (Edvardsson, Olson, 1996, p. 150). Edvardsson and Olson (1996) identify a range of resources that are encompassed within the service system. They include (Smith *et al.*, 2007):

- 1) human resources (skills and knowledge, staff needs and views on new services);
- 2) customers (understanding their wishes and expectations, identifying appropriate levels of customer knowledge, effectively designing customer interfaces (be they telephone, automated or face to face);
- 3) physical/technical (buildings, technology, location and communication systems);
- 4) organisation and control (structures and hierarchies, supply chain processes and customer relationship management).

When designing an innovative new service, particular implications for staff, customers and physical environment may arise. For example, a new health service may be embedded within new health care philosophies (Smith *et al.*, 2007).

3. Conclusions

Research and professional literature pay much attention to the problem of new product development and analyze different aspects of designing new products and implementing new services. Available analyses show that the views about the reasonability of building and evaluating new service concepts are highly contradictory. Furthermore, business has no methodology for concepts evaluation that would be adapted to the service sector.

After generalizing wide-ranging studies, the reasonability of designing a new service concept is validated and a model for its assessment is developed. This model consists of the following main components: expert evaluation of the complexity of new service concepts, evaluation of the conformity of concepts and business conditions according to two different sets of criteria, decision making concerning designing a new service technology, and development of the service system.

A flexible structure of the proposed model allows differentiating concepts according to the technical complexity and the source of ideas. The construction of the suggested model makes it possible to skip assessment of service concepts that are simple in technical terms and to proceed to the next stage of development. The model provides for differentiation of concepts according to the source of ideas in the model. Such construction of the model allows reducing assessment expenditure and reducing the time needed for evaluating as well as implementing a new service.

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SUMMARY

One task of the modern services business is to be able to develop and properly implement new services (NS). For this reason it is particularly topical for this business sector to make a comprehensive analysis of the processes of creating and implementing new services as well as to develop systematic provisions and effective methods for creating and implementing new services. The development and implementation of new services is a common problem for many services companies owing to recurrent risky solutions which are determined by inappropriate planning or managers' ignorance of the sequence of actions as affected by outer and inner conditions. Scientific and specialised literature offers various models for implementing new services, but most of them are contradictory in terms of both content and sequence of implementation phases. Some authors present very general NS implementation schemes with implicit action plans which only complicate their implementation in real business conditions owing to the likelihood of improper decisions.

Some authors skip the phase of concept creation and evaluation without even justifying such a decision. Others, on the contrary, pay a special attention to the development and evaluation of a NS concept as one of the most significant stages in the implementation of a new service. This shows that opinions about the expediency of creating and evaluating NS concepts are contradictory. In addition, there is no methodology of NS concept evaluation adapted for the services business. The purpose of this article is to carry out comprehensive research into the problem and offer rational solutions.

A product concept is an exhaustive definition of the idea of a new service with a description of consumer meaningful service qualities. The need of creating a NS concept is substantiated by logical arguments from many authors on the basis of research findings which state that an idea defines only general aspects of a new service, aspects which, in the course of specification, may undergo some fundamental changes aimed at a better satisfaction of a certain segment of consumers under certain business conditions. The development of a NS concept contains the following stages:

- 1) the choice of the nature of activity (in certain cases the nature of activity may be defined in the description of a NS idea); and
- 2) the NS idea is specified by defining quantitative characteristics of certain procedures of service provision.

Commercial prospects of a NS concept are ascertained by their accord with existing and future business conditions. If a NS concept is in accord with given business conditions, the next logical question is about the need of NS designing and, if such a need is established, about specific conditions of technology designing. The purpose of a NS concept analysis is to check commercial prospects of NS development in a given market. These prospects are evaluated in terms of compliance of the concept with current and future business conditions. Opinions about the place of NS concept evaluation and analysis of business conditions in the sequence of processes during the implementation of new products (services) are quite contradictory. In addition, some authors omit both the concept creation phase and the evaluation phase and have varying

perceptions of these phases with regard to their relation with analysis of business conditions. In this article the expediency of concept evaluation is based on the opinion that every idea may have several conceptual solutions and a services company has to choose the best one under the existing and anticipated business conditions. For this purpose the authors offer a model for analysis of the prospects of a concept and its development based on quantitative evaluations which are selected with regard to the degree of technical intricacy of a given concept and the source of the idea. The most suitable concept is determined based on different sets of criteria chosen from among offered 14 criteria. The model consists of 7 functional components. The first two components comprise expert solutions regarding the technical intricacy of a concept and the source of the idea; the next three components are intended for evaluations of different degrees of detail; the sixth component is designed for solutions regarding the expediency of technology designing; and the last is slated for the creation of a system of new service provision. The authors discuss the contents of the functional components and substantiate their necessity.

A flexible structure of the proposed model allows differentiating concepts by their technical difficulty and source of ideas. The model design makes it possible to skip evaluation of technically and technologically simple NS concepts and to proceed with their development. The differentiation of concepts by source of ideas allows evaluations of different degrees of detail. This type of model design makes it possible to lower evaluation costs and shorten the time needed for NS evaluation and implementation.

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