

WHAT DOES IT MEAN VALUE FOR CUSTOMER IN PUBLIC SERVICES?

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ABSTRACT. Under rising pressure to be more accountable to their constituents, public managers at all levels have turned to measures citizen satisfaction with public services to gauge performance (Swindell and Kelly 2000). However the link between service quality and satisfaction has been assumed but not demonstrated. In order to fill the gap, this paper has been adopting the value for customer concept (Woodal, 2003) to consider both the perspectives of the public authority which organize the service provision and the final customers which use it. The link between different dimensions considered in the value for customer concept and customer satisfaction has been tested in some case studies in waste service sector.

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INTRODUCTION

The definition of user needs is a question for policy, while the way in which they are satisfied is the public organisation's own responsibility (Dewhurst et al., 1999). Local Authorities define the requirements of the service suppliers, looking for a equilibrium between political choices, long term (environment, budget, etc.) and users' needs. In this respect, the key points are how to identify such needs and how to translate them into technical specifications to be included in contracts with the service providers (supplier).

When the "customers" of the service are so much different in their role, as public bodies and citizens are, the concept of service quality as well the concept of service improvement become both inherently political and contestable.

The performance of public service providers is judged by multiple constituencies. Each of them uses different criteria to judge the standard of public services and may apply different weights to the same criterion. It follows that there is no fixed and universally applicable set of criteria for evaluating whether improvement occurred. Nevertheless, public services have also tangible elements that are likely to be valued by all constituencies, even if the valuations differ between groups or over time (Boyne, 2003). Tangibles could be the basis for service improvement. Preliminary criteria to this aim can be derived from the literature on the conceptualization and measurement of organizational performances in the public sector (Ammons, 2001; Carter and Greer., 1993). Among such criteria can be considered quantity and quality of outputs, efficiency, equity, outcomes, value for money, and customer satisfaction. It is evident that some of the criteria overlap and that the buyer and the customer can't use the same dimensions. While the buyer can evaluate technical parameters, the final user applies its satisfaction as a proxy of some or all of the above.

According to the above reported considerations, the quality concept definition in public services should not be constrained within the customer satisfaction concept. In order to have a comprehensive assessment of the service quality level, it may be necessary to investigate the problem in terms of the broader concept of value for

the customer. That could take into account both short and long term customer needs (Bolton, 1998; Bolton and Drew, 1991).

Recent researches have been considering the value mainly as contingent property strictly related to the each user, time, conditions (Shillito and De Marle, 1992; Walter & Lancaster, 1999; Ravald & Gronroos, 1996; Sweeney and Soutar, 2001; Holbrook, 2006; Smith and Colgate, 2007) with the exception of the role of the price, which has been considered by some researchers inversely related to the value (Zeithaml, 1998; Monroe, 1991). However, it does not matter a lower price as much a perception of it (Sanchez Fernandez and Iniesta Bonillo, 2007). Thus, for most researchers the concept of value is indissolubly linked with the customer. Following such stream Woodall (2003) paid his attention on defining the value for customer (VC).

Through a comprehensive analysis of the literature, he explored the concept of value for customer considering five primary forms of it: net VC, in terms of balance of benefits and sacrifices: it implies that the customer makes some judgement on the usefulness of a product by computing or comparing benefits and sacrifices; some authors ascribe it to a ratio or to the dividing of benefits by sacrifices (e.g. Heskett et al., 1997); other writers consider the computation to be a matter of subtracting sacrifices from benefits (e.g. Lai, 1995); derived VC, in terms of use/experience outcomes: it is suggestive of the notion of use value (e.g. Sheth et al., 1991); all are substantially informed by the linking of consumption experiences to social (Kahle, 1983) and human (Rokeach, 1973) values; VC here is conceptualised as the benefits derived from consumption-related experience and is presented such that independence of, or at least prevalence over, any sense of associated sacrifice is implied; marketing VC, in terms of perceived product attributes: this view of VC perhaps favours a supplier-oriented perspective (e.g. Treacy and Wiersema, 1995); sale VC, in terms of reduction in sacrifice or cost: It is oriented to a demand-side value interpretation (Zeithaml, 1988), or as one of a number of potential product attributes (Dodds, 1999); this value means low relative price within a competitive environment (market), and can be viewed, in part, as being analogous to exchange value; it is associated with reduction of sacrifice more than it is with increase

in monetary gain, and here 'best' value is delivered by the lowest-priced alternative; neither use nor the balancing of benefits and sacrifices nor the nature of product attributes impacts substantially upon this particular interpretation of VC; rational VC, in terms of assessment of fairness in the benefit – sacrifice relative comparison: it combines the notions of exchange value with intrinsic value and it is essentially utilitarian in nature; this might be a more-or-less objective perception of a tolerable price band (Liljander and Strandvik, 1992), and/or a market price and/or a maximum or reservation price (Anderson and Narus, 1995).

The net VC often has been recognized as an overall view of VC delivered to the customer, and thus as a comprehensive and useful measurement for a good or a service. Anyway, the net VC implies a strictly rational comparison between costs and benefits. In reality, however, customers are not behaving in a strictly rational way. VC is accumulated through a largely nonrational process during all experience phases in the consumption of a product or service. Thus, the temporal and cumulative aspects of VC need to be taken into account. Perception of value is formed through all the experiences a customer has throughout a product's or service's life cycle.

These experiences start with presales, so an ex ante VC is identifiable in this phase. It is the pre-purchase value. It considers desired and expected value. Moreover, it implies that customers have conceptions about VC also when they are just deciding to purchase, or not.

The experience continues through ordering and receiving, so a transaction VC exists and it is strictly related with the purchasing experience.

The next step in the life cycle is the process of learning, using, and supporting, to which an ex post VC is related. Thus, this VC is received during use or consumption.

Finally the end arrives with the disposing. In this phase the customer could evaluate to buy again the product, or re-agree with the service provider for a longer period of contract. An after- use VC could be outlined in this last part of the life cycle.

Although the value of the service has been considered as balancing act between cost and quality (among the others Zeithaml, 1998), the quality in service has been hardly measured due to several well-known limitations, for example a lower tangibility than goods (Bateson 1977; Berry, 1980; Lovelock, 1981; Shostak, 1977).

Customer satisfaction concept has been developed with services, as it has been developed within marketing product literature, and it was mainly regarding the evaluation of goods. In particular, in seventies Anderson (1973) recognized dissatisfaction as the “degree of disparity between expectations and perceived product performance” p.38.

The customer satisfaction approach has been proposed in order to overcome the difficulties due to the service peculiarities. In particular, services are characterized by intangibility, inseparability (Regan, 1963) heterogeneity (Sasser et al., 1978). All these characteristics are still considered to be distinctive for services (Zeithaml et al., 1985; Edgett and Parkingson, 1993; Ladhari, 2009).

Customer satisfaction and service quality are recognized as distinct but overlapping constructs (Schneider and White, 2004) as positive quality judgment led to satisfaction (Kasper et al., 1999; Loveman, 1998; Heskett et al., 1997; Woodside et al., 1989; Reidenbach and Sandifer-Smallwood, 1990; Parasuraman et al., 1994; Storbacka et al., 1994). Service quality has been also considered as the measure of how well the service delivered matches customer expectations (Lewis and Boom, 1983). In particular, according to them to offer quality means that a firm is sufficiently aligned with the expectation of its customers.

The relevance of customer satisfaction in private service is undoubted. In a competitive market, where firms have to compete for getting new customers as well keeping the existing, customer satisfaction represent a key element in marketing strategies (Gitman and McDaniel, 2005). Moreover, researchers have posited that there is a direct link between profits and the satisfaction of customers' needs and wishes (Churchill e Surprenant, 1982). For a firm is essential to keep the base of customers through their satisfaction (Berry and Parasuraman, 1991). However, much more questioned it is

its usage for public services. On one hand, public managers at all levels have turned to measures citizen satisfaction with public services to gauge performance (Swindell and Kelly 2000), under rising pressure to be more accountable to their constituents. Furthermore, citizen assessments of service quality have increasingly become important factors in key public decision-making processes (Glaser and Bardo 1994; Watson et al., 1991). On the other hand, researchers have outlined that the relationship between administrative service performance and citizen satisfaction has been assumed but not been demonstrated in the application of market models to public service delivery (Kelly, 2005). Moreover, public-sector managers have shown more confidence in internal performance measures, as a reflection of actual service quality, than in external measures of citizen satisfaction with service quality, perhaps because they are concerned about the extent to which citizens have sufficient information to effectively evaluate the service quality (Nye and Zelikow, 1997; Berman, 1997; Bok, 2001). In other words, managers in public sector prefer to define their responsibilities as a result of the “knowledge from the profession” more than as a result of customer opinions.

Despite the resistance by some managers, as a matter of fact, satisfaction measures are increasingly used in evaluating services and informing managerial decision making, including setting budget allocations, changing staff or operating procedures, and altering services (Kelly, 2005). In the private sector there is little space for any trade-off between the technical knowledge and customer opinions. As private sector is mainly profit oriented, customers’ opinion has undoubtedly the highest priority while technical knowledge exists to serve them. On the other hand, since public services are not necessarily and not only profit oriented, the main aim is to pursue the collective interest for such services, and this could be at odds with customer opinions. For instance, a car driver receiving a fine for exceeding speeds limit, is receiving a service from the police, but would waste likely express dissatisfaction for the service received. Is such gap between public authority and users generalizable also to other kind of public services out of the limit case of police controls and people behaving against the law?

Public service motivation is – being and institutionally grounded concept – strongly related to public values. Public belong to the core of the public sector. Jorgensen and Bozeman (2007) group them based on their place in the public values universe and the relation they have with other actors in this universe. Although some disagreement exists to what extent public values differ from those found in the private sphere (Van der Wal and Huberts 2008), most researchers agree on such a distinct set of values attached to public service in a broad sense (not necessary limited to government).

The need for considering both the perspective of public authority and user citizens as well the adoption of customer satisfaction as a parameter of evaluation in public services has been already demonstrated (Ancarani and Mascali. 2011).

Many authors have been considering CS as one of the implicit results of VC (among others: Bolton and Drew, 1991; Heskett, et al, 1997; Walters and Lancaster, 1999), or at least as two concepts with a mutual correlation (Anderson and Narus, 1995), little attention however has been paid in order to understand how VC concept can be applied and how its measure could differ from CS, if it differs. Moreover, in public service context VC for public authorities could differ to user perspective and thus to CS. In particular a few works have been proposed in order to understand, through real case studies about how such concepts can be applied together in a fair evaluation of a public service.

Present paper proposes an analysis of the dimensions related with VC in municipal waste collection. In particular, second chapter presents an overview of VC applied to a public sector. In the third one, results from multiple case studies are reported with an application of value for customer concept and customer satisfaction. Finally the discussion closes the paper.

METHODS

In the present paper several case-studies have been developed in the municipal waste service (MWS). This sector has been chosen because it is currently experiencing relevant strategic changes. In

particular, there is a strong pressure to improve its performance as well an increased request of accountability from citizens. Moreover, current trend in the sector asks for a proactive role of the citizens which have to substantially increase their collaboration in order to allow the provider to meet its targets. The need to reduce service costs, as well land consumption for waste disposal, requires that a vast majority of citizens make efforts in order to differentiate waste starting before to pass it to the waste collector.

Municipal waste service has been studied through a multiple case study analysis. Seven case studies have been selected from two different EU countries, Italy (cases C,D,M,R) and UK (cases E,T,U) in order to have comparable cases, which work under the same European directives. Moreover municipality investigated are similar for size, as they can all be considered small municipalities and they all have less than a quarter of million of inhabitants. Informants have been chosen from: personnel from the waste collection practice of the local public authority; senior executive from the service providers and resident customers. Most of the case studies analysed are involved in strategic change about waste management service, in particular they are switching from a road bin to door to door collection. The unit of analysis considered has been each Municipal Waste Service.

In all the case studies analysed the service are planned by a public authority or a private provider mainly according to technical parameters imposed by the law and local constraints (Table 2). In particular, most of the evaluations made by the authority responsible for these are based on:

- economic parameters mainly in terms of costs (for the collection, for disposal, tariff paid by user)
- technical parameters, (these usually consider number of people served by the service, number of employees, amount waste collected, frequency of collection, typology of collection)
- customer satisfaction is not explicitly considered, only in few cases a measure of it is taken a time each couple of years. However, complaints from final users are

considered in order to help the public authority in the control over the service provider. Fines can be issued in case the service provided do not respect contractual requirements.

In order to apply the VC concept to WS, each dimension of VC has been analysed in order to define a coherent approach to possible measurement of these (Table 1). In particular, net VC has been considered as the algebraic sum of the other four VC dimension. The derived VC should consider an evaluation of the benefits perceived according to the customer perceived needs. So for the public authority it will depend on the institutional needs recognized at local and national through laws and directives.

The Marketing VC can be explicitly measured through customer satisfaction. Public authority satisfaction will be influenced by both the fulfilment of local aims as well the citizen satisfaction. The Sale VC could be resumed in terms of cost paid by users, in terms of tariff, or by the local authority in case there is some part of the service provision costs paid through indirect taxation. Last, in order to measure Rational VC it should be needed an evaluation of the monetary value of the service provided in order to compare it with the costs paid. Measures of efficiency should be considered as part of the Rational VC.

Building on such concepts, a list of indicators already recognized by practitioners has been listed (Table 2). For each indicator has been identified which is the dimension of VC most affected, and which is the customer (citizen or public authority) who pays more attention or is more directly affected by the parameter. Resuming, the technical parameters used by public authority to measure service quality in waste service and to evaluate service providers reflect their primary interest on reduce the amount of waste to be landfilled, together with the need about keeping unaltered the cost of the service, or in the best case to reduce it.

However, such parameters look to be far away from giving a comprehensive perspective about the service quality. In particular, few of these parameters have an impact on citizen's perspective. A service evaluation based only on these parameters considers service

quality as in the perspective of the public authority, but it would be not able to really catch the service quality in the perception of the citizens. For this reason more parameters should be acknowledge in order to fairly evaluate the service. Moreover, the relations between user and the service would be fully missed by an analysis of the service based only on the previous parameters.

Table 1 VC applied to a Public Service

VC part	What is measured	Measure based on...	Kind of value	How is measured
Net VC	All Benefits- All Sacrifice	Rational Measure	Benefits vs sacrifices	<ul style="list-style-type: none"> Algebraic sum of benefits and sacrifices related with usage
Derived VC	Use/ experience outcomes	Perception	Linked to social and human values	<ul style="list-style-type: none"> Benefits according to personal needs Benefits according to institutional needs
Marketing VC	Perceived attribute	Perception	Linked to attributes and perceptions	<ul style="list-style-type: none"> Customer Satisfaction Effect on citizens vote due to their satisfaction
Sale VC	Reduction of sacrifices or costs	Price based	Price to be paid	<ul style="list-style-type: none"> Tariff for final users Eventual cost paid by Public Authority
Rational VC	Benefit – Sacrifices in terms of costs	Price based	Price to be paid vs price expected according to the service offered	<ul style="list-style-type: none"> Economic evaluation of the service Service provided economically evaluated

Table 2 Indicators Adopted and VC

Indicator	VC	Customer Involved
Cost / inhabitant	Rational VC and Sell VC	Public authority/ Citizens only in some cases
Cost / kg waste collected		Public authority
Cost / No. employees		
Employees' Cost/ total costs		
No. inhabitants/ No. employees	Rational VC	Public Authority
No. inhabitants/ bins		
Waste collected/ No. Employees		
Frequency of bin collection	Marketing VC	Citizens
Frequency of door-to-door collection		
Recycled waste/ total waste	Derived VC Sale VC	Public Authority

RESULTS

In order to get a more detailed insight of the relations between VC and the evaluation of a WS, another analysis has been taken considering the evolution of the service and its relations with customer over the time (Table 3 and Table 4). The relation between different stakeholders (public authority and users) are separately analysed over the four main different phases of a service provision. The temporal view gives the possibility to select specific parameters which could be used in order to evaluate the value for customer during each phase of the provision, according to the role that each stakeholder have during each phase.

Citizens and public authority differ each other pretty much in their relation with the service over the time. The pre purchase phase does almost not exist in citizen perspective. Collection service are monopolistic market by nature, and citizens have a lack of direct choice regarding the company which should be responsible for their personal provision. On contrary the public authority has a strong role and responsibility during it. In particular, the public authority has the role to evaluate the different possibilities of service provision, to decide if outsource the service or provide it through internally resources, trying to understand advantages and disadvantages of each solution. It will mainly behave accordingly to institutional needs and previous experiences (Ancarani and Mascali, 2012).

Although exist a phase “at the point of trade” for citizens, this is usually a “ghost” phase, as citizens do not sign any contract with the waste service provider, nor in Uk neither in Italy.

During the pre-purchase phase, the public authority has to decide to who entrust the service and according to which rules. Legislation can give some direction and sets some limits, for example Italian law also obliges small municipalities to collaborate each other creating a new entity (AATO) which works for several municipalities at once according to territory proximity and in general to regional rules. A contract between the municipality and the AATO should last for at least 15 years. However, most part of the contract in waste collection sector are freely chosen by stakeholders, or better said by municipalities in UK, and AATO in Italy. As far as public administration can prove their contracts are compatible with the regional and national laws they are pretty free to decide all the details about the waste service that should be provided. For this reasons there are many evidences of differences that exist among waste collection services within Europe but also within same country or region.

Table 3 Public Authority VC over the time in WS

Phase	Kind of action	Parameter proposed	VC dimension
Pre Purchase	Decisions and choices	<ul style="list-style-type: none"> • Getting feedback • Deciding provider 	• Net VC
Purchase	Signing the contract	<ul style="list-style-type: none"> • Deciding parameters (Recycling ratio) 	• Net VC
Post Purchase	Monitoring the service	<ul style="list-style-type: none"> • Getting feedback • Measuring parameters 	• Net VC
		<ul style="list-style-type: none"> • Waste reduction 	• Derived VC
		<ul style="list-style-type: none"> • Cost reduction 	<ul style="list-style-type: none"> • Sale VC • Rational VC
		<ul style="list-style-type: none"> • Waste reduction 	• Derived VC
	Support	<ul style="list-style-type: none"> • N° hours/week provider is available for support by phone • N° missed calls • Time to reply to emails 	• Marketing VC
	Assistance	<ul style="list-style-type: none"> • % people with specific support due to disabilities • Time needed to admit a new user to the assistance 	• Marketing VC
	Responsiveness for emergency	<ul style="list-style-type: none"> • N° missed bins/year • N° missed days/year • Max number days of delay for the collection 	• Derived VC
	Tariff paid	<ul style="list-style-type: none"> • Tariff paid by user 	• Rational VC
Post Use	Long term improvements obtained	<ul style="list-style-type: none"> • Differences in costs • Differences in recycling ratio • Differences in waste collected 	• Net VC

Table 4 Citizen VC perspective over the time in WS

Phase	Kind of action	Parameter proposed	VC dimension
Purchase	Teaching a new collection system	<ul style="list-style-type: none"> • Time to recognize a new user • Time to give full information about the service 	<ul style="list-style-type: none"> • Marketing VC
Post Purchase: Learning Collaborating sEmergency	AQW<	<ul style="list-style-type: none"> • Quantity (N° data) • Accessibility (N° media) 	<ul style="list-style-type: none"> • Marketing VC
	Support	<ul style="list-style-type: none"> • N° hours/week provider is available for support by phone • N° missed calls • Time to reply to emails 	<ul style="list-style-type: none"> • Marketing VC
	Assistance	<ul style="list-style-type: none"> • % people with specific support due to disabilities • Time needed to admit a new user to the assistance 	<ul style="list-style-type: none"> • Marketing VC
	Responsiveness for emergency	<ul style="list-style-type: none"> • N° missed bins/year • N° missed days/year • Max number days of delay for the collection 	<ul style="list-style-type: none"> • Marketing VC • Derived VC
	Tariff paid	<ul style="list-style-type: none"> • Tariff paid by user 	<ul style="list-style-type: none"> • Rational VC
Post Use	Usefulness of system learned	<ul style="list-style-type: none"> • Similarity to a standard/collection services provided in other municipalities 	<ul style="list-style-type: none"> • Derived VC

Thus, the pre purchasing phase, during which there is the collection of information is among the most relevant by the public authority perspective. It is the public authority who has the responsibility to choose how the service should be provided, if outsource it, to whom and the rules that should be stated in the contract as well the service guaranteed through the service chart which will be provided to the users. The relevance of this phase is due also to the fact that an eventual outsourcing could have very long term impact, as the contract could last several years; it means that the public authority should be able to build a long term strategy during the pre purchase phase. However, public authority faces to several difficulties when try to build such long term plan. Main reasons are that the waste sector is currently under a clear evolution, and the best choice of today could be out of date much earlier than the contract. For instance, a long term plan should consider the possibility of different scenario of waste production as well the

possibility that new way of disposal could become available, or not, during the contractual period.

At the point of trade, it is still the public authority the most relevant stakeholder. In this phase the data collected and the decisions made have to be translated in a signed contract. It is the public authority that after collecting the information about the different existing options have to choose how the service should be provided, and get all the responsibility about the decision. From the customer point of view there is still a strictly limited power on such phase as the only way to change provider for a final user, despite the control on public authority's choices, is considered to be to change city. Anyway the citizen is strongly affected by this phase, whatever is the reason, a new service contract in the municipality or a new service because the user himself is moving in a new city. In both cases the user will have to learn the rules of collection, which could be different from the previous.

The most important phase, for the citizens, is the day by day usage. During the regular period of the contract, citizens, as user of the service, will have to learn how the service works in order to be able to collaborate to the service provision. Moreover, any exception in the service would be noticed by users and could affect their satisfaction.

Citizen's role is enhanced during the service provision itself. Citizens have to collaborate in order to make possible the service provision; they can learn and improve their collaboration through the support of the provider. Moreover, as the citizens are the stakeholders directly involved with the provision, they are themselves who can notice any trouble with the service provision, if the provider respects the contract rules or not. Public authority can recognize most of the gap between the service planned and the service just through the complaints made by citizens. Public authority is not in the households during the service provision, and cannot easily check if the schedule of collection is fully respected, if bins are well maintained etc. The authorities are able to check if the technical parameters planned in the contract are fulfilled, but they cannot go far away from these.

Last phase is essentially managed by public authority. In the customer perspective the provision virtually never stops. The service provider could fully change without that any customer recognizes it. On contrary, when a contract with a provider is over, the public authority has to make a summary of the results achieved, and prepare a new beginning. The contract could arrive to its deadline but waste collection services can't be stopped. Recognizing in which part of the process each actor is mainly involved could be helpful in order to assign responsibilities and in order to decide criteria of evaluation. For instance, the supplier should not be penalized for any user which is unsatisfied due to a decision taken by the public authority during the process of contracting out the service.

DISCUSSION

VC decomposed for each temporal phase and for each stakeholder results useful in order to put in evidence which are the main interactions between stakeholders and service. Moreover it makes more clear which are the possible parameters to be considered in an evaluation in order to consider all the phases of the process.

From a comparison of the different VC to be considered by public authority and citizens (as reported in Table 3 and Table 4), it is possible to posit that VC for public authority includes all the typical dimension into which is possible decompose VC (namely net VC; derived VC, marketing VC, sale VC and rational VC). However, net VC results to be predominant and particularly relevant in the phases of the process which are characterized by the strong presence of public authority and the virtual absence of the citizens.

On contrary, VC for citizens is essentially based on the marketing dimension of VC and some other dimensions can be even not considered (net VC or sale VC), or considered just in terms of tariff to be paid (rational VC). It implies that CS can largely coincide with VC in the perspective of the citizens and only in the perspective of the

citizen. On contrary, VC for public authority cannot be confused with CS and the two concepts should be kept separately. What is possible for managers is to measure citizens CS, and modify/improve the service accordingly. Such analysis suggest that public authority do not increase necessarily citizen satisfaction when its own VC is increased. On contrary, public authority in several occasion have to look for a tradeoff between its VC and customer satisfaction in order to avoid adverse reaction and unwillingness to collaborate with the service provision. Such a result it is confirmed by informants interviewed. The most clear example is about the collection frequency, which have to be reduced in order to enhance recycling ration and avoid increases in the cost, and on the same time it has to be increased in order to fit customer requests which need an high collection frequency in order to do not show dissatisfaction.

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