

ANEC TECHNICAL STUDY

## **SERVICE STANDARDS and SUPERVISION**

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## EXECUTIVE SUMMARY

Services are an important part of the economy and account for around 70 percent of GDP in OECD countries. Nevertheless, services are expected to increase further and are a cornerstone of the EU 2020 growth strategy. Hence, many new services are expected to emerge in the next years.

Given this, how can it be ensured that services meet the needs of consumers and are both safe and of high-quality? Services need to meet a certain minimum level of requirements that ensures value-creation for consumers. Furthermore, service providers need to be transparent to consumers on how to use their offerings. Standards can indeed help to fulfil these requirements.

Unfortunately, service standards – and especially European standards for services – are relatively few in number and it has sometimes been far from straightforward to reach a consensus in their drafting. Therefore, the present report examines how service standards can be facilitated and how authorities can conduct market surveillance of services through standards – both with positive influence on safety, well-being and value-creation for consumers.

The report finds that authorities in many EU Member States, but not all, use standards to check compliance. For those authorities that do use service standards, it is reported that these standards imply a bottom line in securing services of high quality that lead to safety and well-being among consumers. Furthermore, service standards imply an easy checklist that saves time and underpins responsibilities, in a common vocabulary that is transparent. For those that do not use service standards (for a variety of reasons), other means are used to reach the same goals of safe and beneficial services. This can, for example, be done through investigating obvious risks, or by reviewing reported accidents and incidents. However, it is implicitly assumed that service standards represent an efficient and effective short-cut for authorities that conduct market surveillance.

In the report, it is noted that services have several characteristics that make service offerings difficult to standardize. This has to do with services being intangible; being a heterogeneous type of offering depending on the industry; being inseparable in terms of production and consumption, and available (for supervision) only when they are consumed.

Given these characteristics, several elements of service appear that need to be taken into consideration in order for a service standard to become as transparent, safe and of as high a quality as possible. These elements regard opportunities to standardize the physical infrastructure that enable the service; the competence of the employees carrying out the service; information about potential risks from the service; risk assessments of the service; the competence of the user co-creating the service; the self-monitoring of critical aspects related to the service; and notification systems of accidents and incidents. Addressing these elements will enable more and better service standards in the future.

In theory, service standards can originate from any party that wants to promote standards to increase the function and efficiency in a relevant industry. However, from interviews, it is evident that – in practice – service standards emerge mainly

from the endeavours of trade and business organizations, and only partly from authorities or consumer interest groups.

It is difficult to find illustrative examples where service standards support legislation within the EU. The postal services directive is one example and others are found in Scandinavia (i.e. Sweden and Finland), countries that include services in their product safety acts. In these countries, standards clarify and detail how compliance with the legislation is to be achieved.

The report also finds that there is a connection between business demand and market surveillance regulation as regards service standards. However, the main reason why service standards are created is claimed to be to enhance business or to boost the performance of a market. Thus, although in theory any project leading to a service standard is welcomed by standardization bodies, in practice they are most likely created in order to help companies do business better.

The report concludes with **four recommendations:**

- 1. Authorities and standardization bodies should recognize that the inherent special characteristics of services mean that the development of service standards requires a different approach from the development of product standards;**
- 2. Further to this first recommendation, the study points towards several elements that ought to be taken into consideration when developing new service standards and/or conducting supervision of services;**
- 3. Although standardization bodies expect the voluntary participation of interested parties, they need to put more emphasis in encouraging market surveillance authorities to participate in Technical Committees;**
- 4. In order to strengthen the importance of service standards, the General Product Safety Directive should be reviewed to look into the possibility of including services under its umbrella.**

## INTRODUCTION

This technical report provides guidance on:

- How service standards are used to facilitate market surveillance by authorities in different EU Member States
- Special challenges that exist regarding service standards
- How service standards could facilitate market surveillance
- Other related questions that regard how service standards could be used in order to facilitate market surveillance

### Motivation of study

In the summer of 2016 the UEFA European Championship in football was played. 24 countries competed and fans from all over Europe committed themselves to the sports event. A service experience for many interested European citizens.

How do standards make such large sport events as safe and pleasurable as possible? For one thing, the seats at the arenas should meet some minimum criterions for fans paying for these events. The European Standard EN 13200-4:2006 is responsible for this. The characteristics of a stadium seat is that it should support two tons, have seating depth of at least 40 centimetres and have a leg-room of at least 70 centimetres between seating rows. Clearly, standards play an important role in assuring quality for money. Standards for physical goods, such as the seats in this case, are also rather straightforward. The physical parameters around a seat are easy to perceive and create a common ground to discuss around.

At the same time, standards around services, for the same sports event, are less known. Still there are many aspects that could be standardized, for instance crush barriers, availability of emergency care staff or distribution of earplugs; all regard areas of interest for the consumer. Actions such as these are most likely taken but there are no standards as in the former case (i.e. the seats) above.

Evidently, service standards face an important role in our society today but at the same time they are difficult to create. This report focuses on the challenges that service standards face. The report is motivated from the standpoint of understanding how service standards can be created, how service standards can account for the safety of consumers and how service standards potentially can facilitate cross-border trade.

### Target audience

The target audience of this report regards standardization bodies as well as authorities, who are in the aim of creating standards and conducting supervision of standards – all with the aim of ensuring a high level of consumer health and safety protection. In addition, consumer representatives in services standardization committees also constitute a target group.

## Structure of report

The report is structured in the following way. First a background to the service economy and why service standards are important are described. Subsequent to that the research questions and methodology behind the report are briefly outlined. In the core body of the report, conclusions from the empirical data are outlined in six different sections. These sections correspond to the research questions described above. The report concludes with four recommendations for the European Union.

## BACKGROUND

### The service sector is growing

Over the last 30 years, as the European economy has developed, the relative share of traditional sectors, such as the agricultural and the manufacturing industry, have decreased rapidly while the service sector has grown with increased tempo at the same time. Therefore, the post-industrial economy is commonly referred to as a “service” economy. Within the EU, the rapid expansion of the service sector has led to an increased wealth, better health and higher employment. The service sector typically refers to branches such as trade, transport, travel, communication, financial services, business activities, health and social work, public services. However, as the service economy has grown, other sectors which traditionally are viewed as outside the service sector, for example the manufacturing industry, also are embracing principles of the service sector (referred to as servitization). Overall, this movement implies that services are becoming more and more important in our society.

In line with this, data from EUROSTAT for 2015 show that the services sector in the EU accounted for 73.9 % of the EU 28 Member States Gross Value Added. This is an expansion from 73.6 % in 2013; 71.9 % in 2005; and 71.6 % in 2001 and, finally, 69.6 % in 2000. As evident, the services sector is steadily growing in terms of its importance. Furthermore, the service sector represents around 70 % of the employment within EU. For the same year, intra-EU trade in commercial services (i.e. services excluding government services) was estimated at close to more than 700 billion €. Furthermore, in terms of private household, consumer expenditure services are estimated around 60 % (including housing, water, electricity, gas) of the total expenditure. The Services Directive within EU<sup>1</sup>, which aims to realize the full potential of the services markets in EU by removing legal and administrative barriers to trade, is designed to make the trade of services grow even more in the future. Several of the Member States within EU are mentioning services as the main area of export in the future.

### Service standards

Why does the European economy need service standards? As illustrated in the beginning of this report service standards can aid in creating a minimum level of quality for services related to safety and health. Safety, health and wellbeing represent valuable outcomes for the citizens of Europe. Consider the following catastrophic events, the canoeing adventure tour in Interlaken (in July 1999) where 19 people drowned, the love parade in Duisburg where 21 people died (July 2010), the fire at a discotheque in Gothenburg, (in October 1998) where 90 people died and the tragedy at the Roskilde Rock festival (in June 2000) where nine people died. These are tragic examples of recent cases where safety of services has been an issue and also where a standard that regulated important minimum requirements for executing the service plausibly could have served the role of avoiding these negative outcomes. In instances as these, standards that inform

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<sup>1</sup> Directive 2006/123/EC adopted in 2006 and implemented by EU countries in 2009.

consumers about their own risk, addresses minimum requirements for emergency exits or regulates the skills and competence of the staff, can save lives.

Several policies and regulatory measures in Member States can contribute significantly to the safety of services. Examples include requirements related to the construction and operation of services, aspects related to equipment and products used for carrying out the service, rules on qualification and authorization of service providers. These examples of standards are likely to directly address the performance of a service and where the main objective would be safety protection of the consumer.

The present information provides a strong case for service standards and with the growing service economy in mind one might infer that service standards thus are well developed within the Member States. However, while services account for approximately 70% of the EU economy, service standards only account for around 2% of all European standards. This means that citizens within EU run the risk of consuming services that can either imply serious risk for their health and their safety; simply implying a service with inferior quality. As if this was not enough, the fragmentation of standards acts as a barrier to the cross-border provision of services. Complementing other initiatives under the Single Market Strategy to facilitate the cross-border provision of services, the European Commission proposes to prioritize and promote the targeted development of voluntary European service standards. To support this development the European Commission proposes three types of actions (1) a framework for developing European service standards, (2) reduction of national obstacles and (3) more effective information to service providers (Tapping the potential of European service standards, 2016). As an example, services standards can regulate important services that relate to citizens and society's health and wealth and sometimes by fairly simple standards that focus on aspects such as terminology on hotels and other tourism accommodations. The bottom line of all this is that more knowledge on service standards are demanded and important as it can aid this development further.

### Research questions and methodology

The following report is a Technical Study. The purpose of the present project is to extract critical information regarding the use of service standards as a tool in supervision by authorities. Specifically, this is done by answering the following questions:

1. Do authorities use a standard as a tool in supervision?
2. Are authorities aware of standards in their discipline?
3. Do authorities participate in the work with standards?
4. Should a standard be written differently/developed ad hoc to be used as a tool in supervision?

Additionally, the following to sub-questions also are of interest:

- A) Is a standard a support of legislation?
- B) Is there a connection between the pending market surveillance regulation and business demand for standards?



The main emphasis in the study regards services in terms of safety, which is clearly important and may reflect much of the current practice within service standards. However, there are other important consumer services, not mentioned in the same manifest manner within the study, such as accessibility and data protection. For thoughts on different types of services, and to what extent the differences are significant enough to play a role on how standards are understood, see Figure 1 later in the study.

The results presented in the present report regard the organizations (standardization bodies and authorities) that are mentioned in the report. The report is qualitative and makes no claims as to generalize outside the sample. The report is seeking to find structural explanations as to why, how and when service standards are helping authorities to conduct surveillance.

The report has been constructed using the following methodology.

### *1. Qualitative semi-structured interviews*

The qualitative method has been used in order to search for examples, descriptions and illustrations. The research process has been inductive, thus not relying on any particular theory but rather the statements from the respondents. The thoughts, ideas and cognitions that the respondents uttered, or wrote, has led to the outcomes of the report. The interviews made have relied on a semi-structured approach (Brinkman & Kvale, 2014). This means that the research will use open-ended questions and then try to dig deeper into what the respondent knows by using probes. Furthermore, in semi-structured interviews, the respondent has been asked to make conclusions and summaries of what has been said (for purposes of instant validation). Several of the respondents have been interviewed twice (but not all). The interviews have been carried out either by face-to-face meetings, by telephone or Skype, or by e-mail conversations. In some instances, desk research has been made to complement interviews (these are listed in the literature section). Desk research was especially used in section one and five.

### *2. Interviewing of departments/authorities or relevant service standardizers*

The first step in the research process was to identify appropriate respondents, employees at authorities and standardization bodies. As described above, the methodology relied on interviews with knowledgeable and skilled staff from ten authorities. The interviews took approximately one hour at each occasion. Some respondents (but not all) were interviewed twice. Respondents were given informed consent and guaranteed confidentiality.

For critical questions, as well as for validation of the subsequent data analysis, shorter meetings and correspondence with the project supervisor at the Swedish Consumer Agency has been carried out.

Identification of the most knowledgeable and suitable respondents was time-consuming and the help from ANEC, as well as from the project supervisor, are recognized. All respondents were given informed consent and statements were confidential to the interviewer and anonymized in the report. This in order to ensure as an ethical and secure foundation for data collection as possible

(Brinkman & Kvale, 2014).

The following authorities were selected as subjects of being researched in order to answer the research questions set out by the technical study:

- Swedish Consumer Agency (e.g. Tourism and Leisure services)
- Swedish National Electrical Safety Board (Safety and Environmental services)
- Swedish Work Environment Authority (Work environment services)
- Health and Social Care Inspectorate (Health and Social care)
- Swedish Board for Accreditation and Conformity Assessment (Miscellaneous services, expertise on standardization)
- One equivalent authority from Greece (Hellenic body for Standardization, ELOT)
- One equivalent authority from either Czech Republic, France or Italy (Standardization bodies or similar authorities as above, i.e. Tourism and Leisure)
- British Standards Institution (expertise on standardization)
- Swedish Post and Telecom Authority (Post and Telecom services)
- One equivalent authority or standardization body from Germany (in any of the areas above)

The motivation for the various authorities is as follows: the focus on countries in the mid to northern part of Europe is because they are expected to have accumulated experience and examples to share; in order to cross-validate findings, similar authorities in other, southern, European countries were also interviewed. Finally, two authorities that are experts on standards, i.e. Swedish Standardization Institute and the British Standards Institution were also added.

## RESULTS

### 1. Do authorities use standards in their supervision?

The results from the interviews in the majority of the Member States clearly indicated that when authorities need to conduct supervision, standards constitute a valuable instrument for them. The standards are of help as they constitute meaningful components to which the supervising authority can check and assess the current state of the offered service and also create a record when the report is made. In addition, the standard also makes it easy for the authority to communicate what needs to be in place for the service provider in order for the service to be carried out. In a few of the Member States, standards were not used and the reason given was that of low competence within the service area.

According to one of the respondents, a standard represents the bottom-line of (for example) safety for consumers. It is a checklist that companies can use as a fast and quality-assured way of enabling a safe service for their customers (note that safety is an example here, it may equally well be health, accessibility or some other quality which represents the goal of the standard). Standards may include minimum quality requirements, pinpoint necessary facilities and service delivery. Therefore, at authorities, standards are used in order to conduct supervision whenever possible. Standards also represent a common language that can easily be understood and thus represent a transparency that consumers, authorities and other interested parties and actors can relate to. Service standards help improve communication and interoperability by setting commonly agreed definitions as well as defining requirements for service provision. An example for this is a recent French standard on thalassotherapy (XP X50-844). Furthermore, service standards can also specify provisions and procedures aimed at improving relationships between a service provider and buyer, for example in the maintenance of financial services customer data (Tapping the potential of European service standards, 2016). According to standardization bodies, companies experience standards regarding services as an important performance indicator to measure their own organizational outcomes against. Companies and service providers also express that standards can lead to commercial benefits as they may create confidence and trust among consumers (in particular this may be an advantage for new market entrants, such as start-ups). As a result, according to standardization bodies, companies are often interested in, and a common source behind new standards.<sup>2</sup>

When standards are not available (to help in supervision) authorities also consider the following options: the general risk for personal injuries among customers or employees. If the situations imply a very low or non-existing risk, then supervision does not need to be carried out. Supervising authorities also rely on statistics about injuries and incidents when checking service providers. Injury data collection may represent an important starting point for addressing detrimental areas for consumers in the provision of a service. This is also very informative about where the actual problems with the service may lie. Furthermore, authorities may receive reports from citizens about services that function in a non-desired or dangerous

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<sup>2</sup> For more information on benefits with service standards, see *Tapping the potential of European service standards* (2016).

way. In addition, there were several examples where various business or trade organizations worked together for creating standards or codes of practices that supervising authorities could use. Finally, both service providers and other international authorities work jointly in collaboration with other authorities in order to conduct supervision in such a quality-assuring way as possible.

Authorities report themselves using standards to directly control certain service providers in different markets. In addition to this, national trade organizations also create guidelines, which they control the compliance for, which leads to a supervision of markets in a somewhat similar manner to what authorities do. As one example shows, the Swedish Consumer Agency supervises service providers within adventure tourisms. However, the national federation Visit Lapland has created rules of good practice which they are responsible to control. The control that they make are much in line with the market supervision that the Swedish authority conducts. This means that in instances such as these (when there are national trade organizations that create good practice which they control) authorities receive assistance in controlling the market. The Swedish Consumer Agency can communicate with Visit Lapland and seek agreements on aspects that need to be taken into consideration for future market surveillance. In doing so, such agreements of market surveillance are typically created from the standpoint of available service standards. When national trade organizations create good practices as these, it should be noted that the need for supervision is not reduced but the market will regulate itself to a higher extent and succeed in offering (as in the case above) safe services. As a result, market surveillance can be conducted more easily from the perspective of the authority. The same was reported also for the Swedish Organization for Ski Resorts (SLAO).

### **What to do when no standards are available**

When standards are not available authorities have to seek other ways to conduct supervision. One means of doing this implies the creation of guides that service providers can follow in order to create their offerings in as safe and healthy way as possible. Examples of such guides can be found in markets where consumers buy craftsman services. Good practice, as mentioned above, is another way that (often national) trade organizations are using when they are creating codes of conduct that service providers can follow for the same reason. This means that when there are no standards available authorities can follow the communicated content for a good practice to conduct their supervision. The national trade organizations are using their good practices to create a sufficient level of performance for providers within their market. Typically, the service providers at the market are members of the trade organization and therefore need to comply with these codes of conduct or good practices. In the interviews, several authorities mentioned that national trade organizations sometimes assist in pointing out what aspects need to be supervised. National trade organizations are, more often than not, equally interested in that their member companies are offering consumers services that are safe and reliable to use.

Other ways to conduct supervision when there are no standards available regards examination of obvious risks, which represents a way to analyse potential safety hazards beforehand. In the same way, examination of occurred accidents and incidents represent a way to analyse safety risks after they have happened. A final way for authorities to conduct supervision when no standards are available is to

use standards for physical goods. For example, in order to conduct supervision, the premises, infrastructures and equipment used for providing the service, also convey an opportunity for supervision.<sup>3</sup>

### **Problems with service standards**

Although authorities reported themselves to be using service standards as one important tool in order to manage their duties of market surveillance, problems with service standards were also described. The most reported difficulty with service standards was that the authority did not agree on the content of the standard and saw important aspects that were missing, not clarified enough or simply difficult to grasp the rationale of. It was emphasized that a standard is just one tool to manage the supervision and the authority always needs to carefully assess which aspects need to be controlled. If the standard is not adequate or does not cover all the relevant aspects that need to be controlled, the authority has to create other questions or inferences that show how the service provider is taking different types of risks into consideration.

It was reported that when the supervision mission is vague it is difficult to conduct supervision. This is often the case with services and therefore a standard can provide great help (it is already a help with physical goods but much more so when it comes to service). As services (as explained below) are sometimes produced and consumed at the same time, and rely on activities carried out by both the consumer and the producer, it is sometimes more difficult to control a service than to control physical goods (i.e. physical goods were produced in a factory and are present in a much more tangible way than a service).

According to other respondents the fuzzy nature of services explains why it is not always easy to standardize services. Services are heterogeneous, intangible and inseparable from consumption, all of which make it difficult to find easy agreeable guidelines of which to create standards upon (Lovelock & Wirtz, 2008). Services lack some of the common physical aspects of products, which are commonly referred to as much easier to create standards for (as mentioned in several instances in interviews with standardization bodies). As a result, services are often described in terms of a concept in order to facilitate the development of a standard.

In discussions with standardization bodies, service standards are mentioned as being more difficult and time-consuming to create. As stated, also according to interviews with standardization bodies, services are fuzzier and more abstract to grasp (compared to a product), which make the coordination of the work in the Technical Committee more ambiguous. In addition, it is also stated that as parts of many services are produced and consumed at the same time, they are more difficult to create meaningful tangible measures for. For authorities, the joint production and consumption of the service makes the supervision more demanding. How is an authority to control for a rope course service if there are no consumers at place using the equipment? Here, supervision of physical equipment

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<sup>3</sup> Note that there are several differences in how service standards are designed. At some occasions, for example regarding adventure parks, there are standards available for the infrastructure and attractions as well as for camera monitoring of customers. However, for playgrounds there are standards only for the appliances used but not for monitoring of customers. Finally, as mentioned, there are physical infrastructures that are not object to standards at all.

is more easily made, as the equipment most of the time is readily in place. Furthermore, the context where the service is consumed might play an important role in making the service output very heterogeneous. For example, compare a river rafting experience on a sunny day with the same experience on a windy and rainy day. Clearly this puts the Technical Committee in the standardization work in a difficult situation when they need to consider many aspects surrounding the core service.

For purposes of supervision the abstract features of service also create difficulties. A service offer bought from a provider is typically over when the authority is to conduct supervision. The only features left from the above example of river rafting is the river and, plausibly, the boats. Compared with the manifest and tangible features of a physical good it should be clear that services are more difficult both to make standards around and to conduct supervision for. This is an obstacle for both standardization bodies and authorities that conduct supervision. As a result, the service need to be described in terms of a concept towards which preventive safety actions and supervision can be carried out.

Another problem with service standards regards the type of market that they are implied for. Service standards created for business markets is described as created taking more consideration to the aspects of businesses than taking consideration for the role and situation of consumers. This also has implications for authorities who conduct supervision.

A final problem with services is that they are viewed as a rather homogenous type of offering. While different types of physical goods are categorized in numerous sub-sections, services are classified just as services. For future market surveillance, and standardization work, it would potentially be beneficial if services would receive a more nuanced picture that emphasizes different or important facets of different services.

Below, a suggestion for an easy categorization of service is presented, see figure 1. The categorization is made from the standpoint of two critical aspects of service, namely the degree of *tangibility* and the degree of *co-creation*. The degree of tangibility has to do with the situation of whether or not the service regards many tangible (or visible) aspects and the co-creation regards the aspects of interaction between the service provider and the consumer (the inseparable production and consumption, as mentioned above). More specifically, service with a higher degree of co-creation regards services to persons while services with low co-creation typically are directed towards physical goods.

## Figure 1. A suggestion of a categorization of service

1. Service with high degree of *tangibility*
  - a. Services with high degree of *co-creation*: service to a person (e.g. restaurant, health-care, hair-dresser, aesthetic surgery,)
  - b. Services with low degree of *co-creation*: service on a physical goods (e.g. repair of car, electricity)
2. Service with high degree of *intangibility* (i.e. low degree of *tangibility*)
  - a. Services with high degree of *co-creation*: (e.g. rope courses, gym, tourism, hotel)
  - b. Services with low degree of *co-creation*: (e.g. legal service, consulting, postal service)

The above example regards just one possible illustration of how different types of services can be categorized. The important aspect to remember in this concern is that services are heterogeneous. The heterogeneity and dynamic change of service offerings is evident from the fast development of many new service innovations today. Services were subject to many rapid changes during the last decade. For example, ten years back in time consumers bought cars, which was then understood as a purchase of a physical good. In comparison, within the next decade consumers are expected to quite heavily start to lease their car instead, which makes it a service purchase instead of a physical good. This is just one example of how dynamic and fast-moving markets of services are which, in turn, emphasizes the importance for authorities and standardization bodies to acquire a more nuanced and complex view and understanding of what a service really is. In the interviews made within this report this was found in terms of fuzzy explanations (from both standardization bodies and authorities) when talking about what a service is. What one organization considered as a service which needed standards, another one viewed as an event needing only a temporary permission. It should be kept in mind that in conducting the present study many examples or services (and service standards) regarded safety. However, there are increasingly other types of services (as shown above) being innovated (as mentioned above, for example accessibility and data protection) that may require other measures to be taken, and yield other types of reactions than those that have been brought to attention within this study.

At the same time, as there are horizontal issues that cut across relevant sub categories of service (e.g. degree of tangibility and degree of co-creation, and potentially other ones) it should be noted that there are also issues that may relate only to a certain category. For example, issues around aspects such as inclusivity, or privacy, will relate to services directed towards persons but not especially towards services on physical goods. However, privacy is likely to rely on a high degree of co-creation but that is not necessarily the case for inclusivity. With these reflections taken into consideration it is clear that it may be difficult to find a parsimonious model that can be used. Furthermore, what needs to be kept in mind is that services differ significantly from each other and that the certain type of service that is being standardized needs to carefully consider critical aspects

around that service and recognize that services must be understood as complex and dynamic.

### **Elements of service standards (that facilitate supervision)**

The actual quality level of a service is basically determined by the aggregate effects of the following main components, derived from interviews from respondents in the study. The components, or elements, that should be taken into consideration are:

1. Physical infrastructure, goods and equipment enabling the service
2. The competence of the employees carrying out the service
3. Information about potential risks with the service
4. Aspects related to customer service
5. Risk assessments of the service
6. The competence of the user co-creating the service
7. Self-monitoring of critical aspects related to the service
8. Notification systems of accidents and incidents

First, many services are supervised from the standpoint of the physical goods that they rely on. This means that many services only are quality-assured from the equipment that the consumers are using while consuming the service. This may, for example concern diving equipment being used while diving. Thus, the physical infrastructure, goods and equipment used that is enabling the service is an important element to consider when creating a service standard or conducting supervision of a service.

Second, services may also be supervised regarding the competence of the employees at the service provide. This concerns the extent to which the staff has earned or taken degrees, certifications, exams, practical skills, years of experience and educational programs or university degrees that qualify them professionally in delivering services as qualified as possible (i.e. that the service will be safe, that the service delivers on certain performance criteria, that the service meets legal requirements, et cetera). In fact, service providers could plausibly benefit themselves by providing information on the competencies that they possess (in order to carry out their service). Thus, the competence of the employees carrying out critical activities related to the service is an important element to consider when creating a service standard or conducting supervision of a service.

Third, supervision of service is facilitated if the standard advices about potential risks with using or purchasing the offered service. The standard could advice the provider to inform about safety or health related risks that may afflict the user (as an example from Sweden, e.g. according to the Swedish product safety act). To illustrate, the user might be warned that a particular service should not be used if the user is suffering from high blood pressure. In Finland, France, Portugal, Spain and Sweden there are general legislations that require service providers to only market "safe services". Different definitions and criteria on what is considered to be a "safe" service support this obligation. Here, standards within the intended market area can clarify such minimum safety obligations for service providers. The direct application of such general safety obligations and standards can then be used by authorities when they check for compliance. It will be rather straightforward to use the standard and check whether or not the provider is



informing about the risks or not. Here, the standard can be made easy and as a result the supervision will also be made easy. Thus, information about risks with the activity or service is an important element to consider when creating a service standard or conducting supervision of a service.

Fourth, elements not related to the safety of the service are also of importance. These may, for instance, contain what the service is actually covering. This element reflects to what extent the service provider should fulfil the promises granted to the customer. There are also other aspects related to customer service, such as the contract, complaints handling and redress. In addition, as many services today are wireless and rely on high tech, questions related to protection and privacy, as well as accessibility, are closely connected to customer service. Thus, aspects related to customer service constitute important elements to consider when creating a service standard or conducting supervision of a service.

Fifth, an important element that facilitates the supervision of service regards risk assessments. If standards oblige the service provider to organize risk assessments and thereby identify and evaluate various risks with the services provided, these companies can take reasonable actions in order to preserve health and safety, and can also easily be checked for compliance by authorities. The authority can evaluate to what extent the service provider has established a systematic internal control to assess risks and also to establish emergency procedures if an accident would still occur. In France, for example, the regulations regarding public playgrounds states that the responsible person is obliged to keep up-to-date the maintenance plan of the playground and records of the work carried out. The documents must be available to the authorities upon request. In Sweden, a risk assessment tool was being used, and handed out to service providers, in order to facilitate supervision in a smooth way.<sup>4</sup> In the United Kingdom, a general regulation obliges all service providers to conduct a risk assessment. Businesses with less than five employees are subject to less formal requirements than larger operators. Norway has a similar concept called "internal control" regulations. Thus, risk assessment is an important element to consider when creating a service standard or conducting supervision of a service.

Sixth, the competence of the user partaking in the simultaneous production and consumption of the service needs to be taken into consideration. The service provider needs to remind or ask the user to consider their own level of competence before carrying out certain types of services. Users are co-creating their own service experiences and are therefore highly involved in the production and consumption of a service. As a result, it is important that the user has acquired a minimum level of skills needed to perform the service in an intended, safe and reliable way. For example, in order to engage in a diving course, swimming skills and overall fitness may consider aspects of the users' competence that needs to be taken into consideration. For this element, information about risks, mentioned above, is working in unity with competence of the user. By having information about potential risks, users can consider and balance their own skills to better understand how a future service will be for them. Thus, the competence of the user is an important element to consider when creating a service standard or conducting supervision of a service.

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<sup>4</sup> See <http://www.konsumentverket.se/globalassets/publikationer/produkter-och-tjanster/sport-fritid-och-skyddsutrustning/rapport-2016-4-aventyrspanor-konsumentverket.pdf> [in Swedish].

Seventh, self-monitoring of critical aspects related to the service should be continuously recorded and thereby controlled for during supervision. Self-monitoring regards the process of observing the behaviours of the organizations and evaluating it in relation to specific goals and measures. For example, self-monitoring can regard making a note on a report sheet every time a certain area is cleaned. An example mentioned in the interviews concerns how companies offering diving courses performed daily routines to check oxygen tubes and equipment and recorded this continuously in a file. Self-monitoring helps ensure accuracy and long-term fulfilment of goals that are important for the service to function in accordance with its promises. Several of the respondents in the interviews affirmed self-monitoring as something which is very easy to accomplish and that has good results on the effectiveness of the service but (despite of this) is used rarely in standards on service. Thus, self-monitoring is an important element to consider when creating a service standard or conducting supervision of a service.

Eighth, and final, some sectors, such as transport and health services, seem to have established systems for notification of accidents and/or incidents with the aim of informing users as well as authorities. Such notification systems serve to limit the damage of unsafe services and gives a better monitoring of risk. Finland has introduced general notification requirements for service providers where non-acceptable hazards can be discovered and appropriate measures can be taken by service providers. Monitoring of customers, which is stated in for example standards related to adventure parks, may also constitute an important aspect to consider here. In addition to notifying authorities, such systems for notification of accidents also aid in making a proper risk assessment. The most proper way of conducting a risk assessment is by using previously collected data on accidents and incidents; as a consequence this element works in unity with the fourth element mentioned above. Thus, notification systems of accidents and incidents are an important element to consider when creating a service standard or conducting supervision of a service.

## 2. Are authorities aware of standards in their discipline?

How do employees (within authorities) reason when it comes to service standards? In general, they are well aware of standards but it is not always given that they have full overview of standards in various sectors and how they affect the service that they are about to supervise. When they are given supervision tasks they start looking for standards as it makes the supervision much easier. A reported difficulty is that some standards *imply risks that different parts fall under different authorities* (physical parts to one authority and the service parts to another, e.g. as with playgrounds and aesthetic surgery services). Another example of this is when some standards are available and relate to the work environment (and regulate staff behaviour) and other standards within another area (health care) but have implications for the same type of service (e.g. diving services). These complex situations create difficulties for the supervising authority.

The term 'supervision' refers to 'the professional overseeing of staff/employees and consumer matters'. Described in a general way, supervision means the management of people and their activities, for the better of those who will later

use (the services). Good supervision is beneficial in many ways. Firstly, it provides confidence in the quality of services provided to clients. Secondly, it minimizes the risk of the service by supporting the timely and error-free production of work. Thirdly, it provides a valuable opportunity to help individuals develop their skills in a more proficient manner. Fourthly, it is also likely to impact positively on employee satisfaction, which will assist in future recruitment and retention of both employees and consumers. Fifthly, supervision can also be a certification for the organization that they are offering services in a reliable and safe way (which in the long term should have economic benefits for the company/organisation). As a result of all these, authorities believe that supervision is important and standards can be a useful tool to do this in a time-efficient and qualitatively good manner.

### 3. Do authorities participate in the work with standards?

The interviews give at hand that service standards originate mainly as endeavours from industry sections, trade and industry organizations and only to a partly extent (minor) from authorities. At many occasions, business organizations have discovered that the development of standards is the only way of survival for member organizations which is why they will take the initiative and try to initiate the establishment of a standard. When new standards originate as the result of work from authorities it is mainly because something is not functioning well, in particular with respect to other people's safety, health and/or wellbeing. This being said, it should be remembered that standards seldom seem to originate from the initiatives of authorities; this was evident from several of the standardization bodies contacted within the EU Member States. Communications with standardization bodies revealed that standards can result as the initiative from any entity, actor or organization, however, business organizations being clearly the most common force behind new standards. The employees at standardization bodies also mentioned that a development where industrial partners, and/or business organizations, are driving the creation of standards this is unlikely to take into account the performance and trust of consumers in an offered service.

The Technical Committees (TC) are an important institution in creating a standard. The TC, established by the standardization body, is often formed in the way that it should include as many (relevant) partners/stakeholders as possible. This means that the TC technically can consist of very many persons representing a wide variety of organizations. The TC can be viewed as a democratic representation of the stakeholders who have interest in a potential standard. The business partners (business organizations, industrial companies, trade organizations, et cetera) are typically very strong. This is the case as they have the time and financial strength to participate in TCs. They also have strong motives in terms of a future potential financial profit that, most likely, a consumer organization does not have, neither an authority.

Customer groups are also typically present in TCs but claims are made that these are not equally effective (as businesses) at articulating their thoughts and they may many times also be split up in several different groups which reduces their strength and ability to look after the consumer perspective.

Authorities are sometimes invited to TCs but not always. As mentioned later in this report, authorities' opportunity to use a standard in order to check for compliance

is seldom brought up (by the standardization body) as an important reason to why a standard is needed. As a consequence, authorities are sometimes not invited at all to the TC. Even if they are invited they do not always participate due to costs and time limitations. In several countries the TCs have physical meetings which imply that many working hours need to be taken into consideration if an authority would like to participate. Some authorities claim they sometimes do not view participation in TCs as an important means to influence the content of the standard, which is another reason why authorities do not participate. Another option and typical reply is that authorities only participate in the form of making a statement of opinion. A recommendation made in this report is that authorities should be always invited and asked to participate in the TCs. The ground for this is that they are likely to conduct supervision on the standard composed.

Developing a new standard in Europe appears to be, at least in the interviews conducted within this study, industry driven. However, this is not what the standardization bodies are communicating or seem to want. For them, it is a clear-cut case that all actors have, or should have, an opportunity to both create and participate in the development of a new standard. However, the conclusion from the interviews is that it is easier for industries to influence the content of a new standard than is the case for consumers or authorities. Business organizations typically have a financial benefit they can discount for the time they invest in participating in the TC while this is not equally the same for consumer interest groups or authorities. As stated, consumer interest groups, as well as authorities, may lack both time and financial opportunities to invest intensely in the TC. In addition to all these, it should not be forgotten that the standardization bodies benefit financially from new standards; hence it is in their interest to have new standards being created.

From the perspective of the business organizations, service providers are interested in standardization processes when the market can be regulated in a way that it boosts their business. Interestingly, in some interviews, authorities mentioned examples where service providers feared that service standards would increase bureaucracy (leading to new fees and higher demands) which might make them resist standardization work in the direction that would facilitate market surveillance. Instead, new standards were mentioned when there was an opportunity to create difficulties for new entrants to enter a market (and then perceived in a positive way by those already introduced to the market).

In a similar fashion, several authorities reported difficulties from their work when participating in the TCs. For example, when it came to diving standards both consumer groups and authorities reported struggles in contributing to the final standard. In this regard they reported that these standards were mainly industry driven and that the standardization bodies listened carefully to the business partners who had a strong participation. Although standards are made with the distinction of serving all partners, it here seemed as if the business partners commonly had a stronger position and could decide the content of the standard.<sup>5</sup>

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<sup>5</sup> It should be noted that a market surveillance authority may decide that the requirements that need to be in place are tougher than what is being stated in the standard. This means that if the standard is not developed in a way that takes aspects of the consumer into consideration, the authority may decide to do so by taking measures that are more strongly stated than what is being specified in the standard.

It should be noted that while standards are developed by a Technical Committee, managed by standardization bodies or organizations, the market can also choose to adopt certain types of instructive specifications developed by one or a few companies active in the field. This is neither or seldom the case for consumer interest groups. This means that codes of conduct and good practices may evolve at markets without the democratic participation from authorities and consumer interest groups. This being said, authorities interviewed within this report mentioned that they can have mutual interests with these market organizations (typically national trade organizations protecting the interests of their member companies).

#### 4. Should a standard be written differently/developed ad hoc to be used as a tool in supervision?

Standards may need to be written differently in order to make the same impact as a physical goods/product standard. They need to take the special characteristics of services into consideration. This is somewhat covered in the first section above. While a physical good might be possible to standardize by means of its physical structure, service offerings many times need to take other aspects into account. These aspects may be either of the kind mentioned in the proposed categorization above (see Figure 1) or the elements recited within the first section of this report.

Standards can be developed ad-hoc as for example notification systems may alert authorities, as well as service providers, of the need to create a standard in order to ensure more safe services in the future. For physical goods, critical physical or material dimensions may already on beforehand be known to affect the safety or functioning of a product, which is why products more often can have standards constructed on beforehand. As this is not the case for services, they need to have the door opened for ad-hoc creations of standards. Furthermore, in line with this, as services typically rely on consumer co-creation to a larger extent, this also creates unforeseen difficulties – which again is an argument for ad-hoc creation of standards.

When service standards are created ad-hoc, the elements recited within paragraph one in the present report should be taken into consideration.

#### 5. Is a standard a support of legislation?

Standards are developed through a process of collaboration among stakeholders and they are approved and published by recognized standardization bodies. Regulations and other types of legislation are adopted by governments at national or regional level, or by supranational and/or inter-governmental organizations such as the European Union. The use of standards is voluntary whereas regulations are legally enforceable.

It is emphasized that service standards may be difficult to use for enforcement by authorities unless they have the force of a law behind them. A legislation can serve the role of making a service standard mandatory and, thus, more difficult to challenge. When service standards are not a support of legislation they are

sometimes difficult to enforce and then need to be written in a clever way in order to not be open to challenge.

The EU postal services directive is a good example in the services area where standards support the legal requirements. Mandates follow the directive adoption, however there are not many other examples at the European level that could be found.

In Sweden, the Product Safety Act provides a general framework that includes both physical goods and services. According to the act, *goods and services must be safe for consumers and must not lead to any injuries* ([www.riksdagen.se](http://www.riksdagen.se)). There are two important aspects that should be noted from the Swedish Product Safety Act. First, the act includes both physical goods and services, which is an uncommon feature in relation to the majority of other EU Member States. Secondly, the act is very general and not detailed which is why Sweden needs standards to give the specific information of how, what and when service providers need to consider when offering services to consumers.

To provide an example, in the Swedish Product Safety Act it is stated that products and services must be safe and not lead to injuries. Regarding safety equipment, the law further specifies that such equipment should be used whenever necessary (*Lag 1992:1326 om personlig skyddsutrustning för privat bruk, §4 – §5*). The standard then has the function of specifying the explicit and detailed content of the law. This might for example regard how protective shoes should be used and that the employer is responsible for providing such equipment (according to Swedish Standards Institute). Also in the instance of diving course and equipment, specific standards address the details that support the legislation.

It is notable that other EU Member States legislation differentiates from Sweden and Finland (who has a General Product Safety Act). Therefore, there is no general or typical overall approach on how to ensure a certain level of quality of service among the Member States. As service is not included within the EU General Product Safety Directive, services are being supervised by market surveillance authorities in some Member States, while the same services are not at all controlled in other Member States. In the long run, this implies risks for consumers who might expect that service providers have been supervised when visiting another country. As a consequence, consumer scepticism may lead to cross-border trade of service being negatively affected in the long run.

All Member States have adopted policies, specific legislative acts and administrative efforts concerning services, but the approaches vary significantly. Several Member States have established specific policy areas (for example regarding "safety services"). Others deal with services ad hoc or in connection to other policies, often with standards focusing only on the physical goods involved. Some Member States (e.g. Sweden and Finland) have introduced general legislation specifically on the areas of service, which is supplemented by sectoral policies and legislation (as described above). Other Member States (for example Ireland) cover the horizontal aspects of consumer, user and public safety of services via their occupational health and safety legislation. All Member States have sector-specific approaches, with a variety of provisions directly or indirectly relevant for various categories of services. Codes of practice and standards have also been established in some Member States, but on an ad-hoc basis and just for

a few specific service sectors (Report from the Commission, 2003). As evidently, there is a great variety in how services are regulated and this can lead to consumer confusion, unsafety and dampening the business potential and growth of services. As services and the service economy regularly is pointed out as one of the cornerstones to EU's future potential growth (EU 2020, Europe's growth strategy), it is quite surprising that the general product and safety act does not consider service.

Some Member States have a horizontal legislation regarding services that supplement sector-specific efforts. This group has an extended scope for their horizontal legislation added to their sectoral policies and legislation. For example, Finland and Sweden have integrated safety of services in their legislation on product safety. Hence, the general requirements for consumer services are more or less parallel to those for products. Authorities have the necessary competencies to monitor, control and take action against unsafe services. France, Portugal and Spain have chosen to include provisions regarding services in their general consumer legislation. As an example, Spain has a provision in its general Law for the Protection of Consumers and Users, which states that service providers shall only put safe services on the market. In the United Kingdom, the Health and Safety at Work Act makes it clear that the objective is to protect also the general public, including consumers, against the risks to health and safety arising from the activities of persons at work.

In addition to the horizontal legislation (which is varying between Member States), all of the Member States have adopted significant sectoral legislation. For example, legislation on services mainly relates to four sectors: health, tourism, sports and leisure, and services of general interest (such as installation of gas and electricity or transportation). As regards safety of services there is no horizontal European legislation in place as for the General Product Safety Directive (GPSD) – which focuses on physical goods and does not mention services. This report proposes that consumers would benefit from such a general framework when it comes to services too.

There are most likely many reasons as to why services should be incorporated in the GPSD. One of the more urgent ones has to do with the rapid expansion of services in the EU economy. More and more consumers are today buying services. Services are frequently being suggested as a top priority of consumers as many consumers look to experiences and adventures as they already own many physical goods. As if this was not enough, many physical goods are starting to become services in today's marketplace. Consumers used to buy music records, cars and computers but all of these are due to new business models more and more frequently being sold as services instead. The rapid expansion of service is also widely cross-European to its nature; Spanish diving courses are being offered to frozen Swedes and a Finnish real white Christmas with sleigh riding and Santa Claus is being offered to sun-tired Italians. For these services to be safe a General Product Safety law that serves all EU Member States is motivated and sought-after.

In conclusion, the brief review above clearly indicates that there are a complexity and variety of efforts, policies and legislations in the Member States and it should therefore be taken into consideration that making a comparative assessment of the regulatory situation is difficult.

## 6. Is there a connection between the pending market surveillance regulation and business demand for standards?

As stated previously, standards are free to be used by anybody. Also, as mentioned frequently by standardization bodies, participation in standardization work is open to everybody. Regulating bodies (i.e. authorities conducting market surveillance) are invited to several TCs as they are interested to form their future work basis. For a standardization body, this means the promotion of any project leading to a service standard in any relevant industry.

At the same time as this sounds appealing, logic and natural, further to interviews with individuals involved in TCs another picture emerges. Not on par with this picture, it was communicated that standards are developed because of a few superior goals. During the interviews, when asked about the purposes of why various standards are or have been developed, it is clear that *boosting business* or *facilitating the business performance of a market* is the most common purpose for standardization work to take place. Thus, although in theory any project leading to a service standard is welcomed by standardization bodies in practice they are most likely to occur to help companies make better business.

Another typical answer, when asking for reasons that organizations bring standardization work to the table, is that it should *facilitate procurement*. It is emphasized in the interviews that in some markets, the idea of creating a new service standard is to facilitate for businesses and meeting their demands to improve the functioning of the market. In short, the purpose of new service standards seems to derive much more from business demands than from the need of market surveillance. Incorporating the facilitation of conducting market surveillance into standardization work is not mentioned by standardization bodies. This means that some service standards have not considered aspects of interest from an authority or consumer perspective; in some countries this might be considered while not in other countries. Thus, the services provided by, for example, a beauty salon might be supervised within one EU Member State but crossing the border to another EU Member State the same service is not supervised by any authority. If the service economy really is to represent the future growth sector within EU, this scenario is likely to have to change, unless service trade is hindered between the Member States.

To sum up, there is a connection between the pending market surveillance and business demands for standards. However, there is a skewed balance between these two entities where market surveillance seldom is brought to attention as an important aspect to consider when service standards are being developed.

## Recommendations

The following initiatives should be taken into consideration in order to a) support the creation of standards and b) carefully embrace the consumers' perspective and c) facilitate supervision of services carried out by market surveillance authorities.



Considering these recommendations will not only increase the likelihood of ensuring health, safety and well-being for consumers but also facilitate trade of service cross-border within the EU as consumers can be expected to purchase such services more frequently. The recommendations are not numbered in order of importance but rather follow the structure of the report.

- (1) Authorities and standardization bodies should recognize that the inherent special characteristics of services mean that the development of service standards requires a different approach from the development of product standards. This can be addressed by taking into account the various aspects that differentiate products from service (e.g. intangibility, see p. 13 above).
- (2) There are several elements that standardization bodies and authorities should address in their work of standardizing service (see p. 15 above). This can be done during the standards development phase managed by the Technical Committees. These elements are a consequence of the special characteristics of services mentioned in the first recommendation.
- (3) National standardization bodies need to encourage market surveillance authorities to become more involved in Technical Committees in order to facilitate future market surveillance. Unless, the Technical Committee might be unevenly balanced (which, in turn, may affect the quality of service standards negatively from a consumer point-of-view).
- (4) The General Product Safety Directive should be extended to also include services under its umbrella. The Swedish and Finnish Product Safety Act can serve as an illustrative example.

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