



Chapter 4: Developing Service Products: Core and Supplementary Elements



Overview of Chapter 4



- **Planning and Creating Services**
- **The Flower of Service**
- **Branding Service Products and Experiences**
- **New Service Development**



Planning and Creating Service Products

Service Products



A service product comprises of all elements of service performance, both tangible and intangible, that create value for customers.

Service products consist of:

- **Core Product** → central component that supplies the principal, problem-solving benefits customers seek
- **Supplementary Services** → augments the core product, facilitating its use and enhancing its value and appeal
- **Delivery Processes** → used to deliver both the core product and each of the supplementary services

Designing a Service Concept



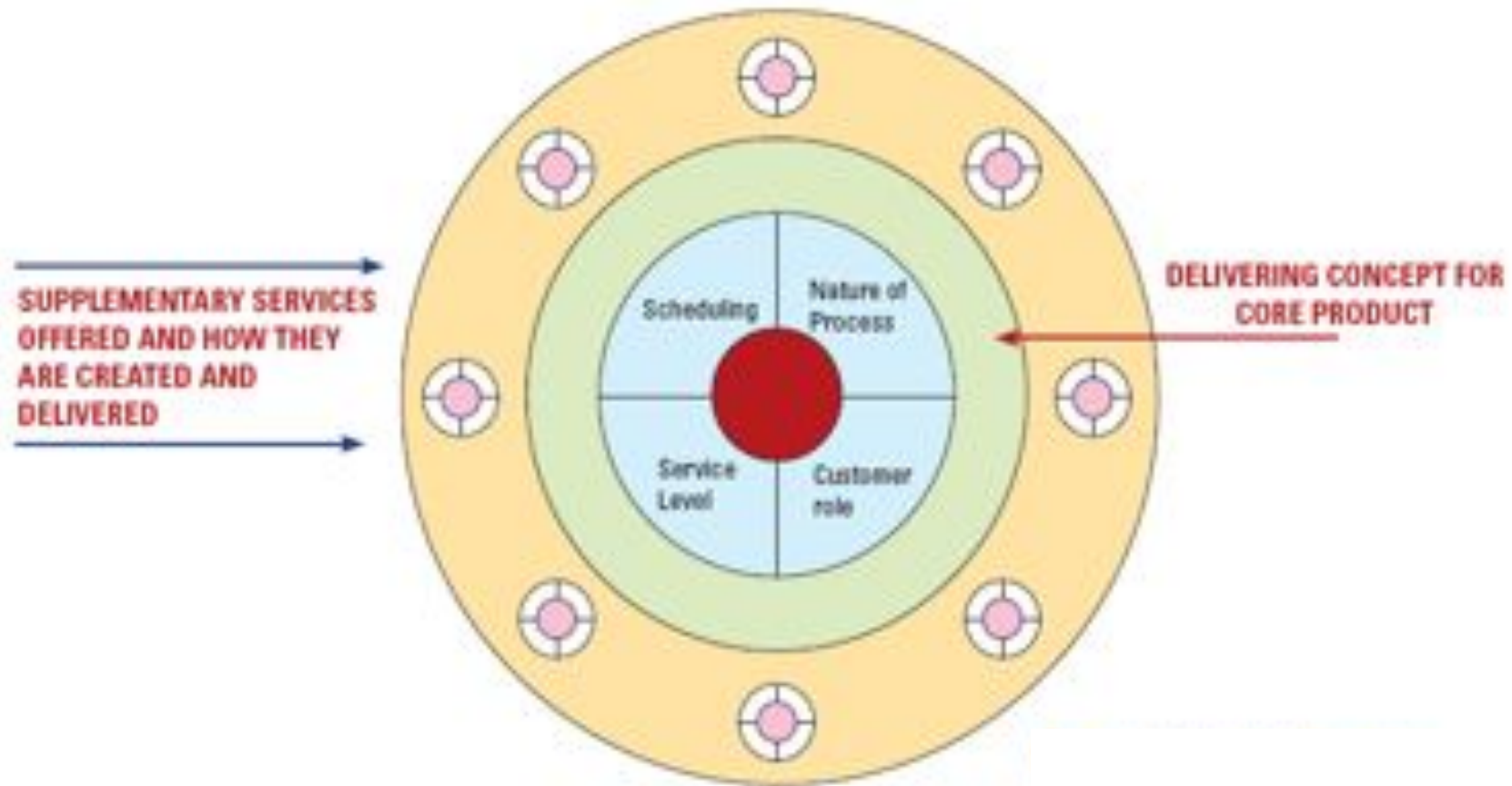
- **Service concept design must address the following issues:**
 - ➔ **How the different service components are delivered to the customer**
 - ➔ **The nature of the customer's role in those processes**
 - ➔ **How long delivery lasts**
 - ➔ **The recommended level and style of service to be offered**

Documenting Delivery Sequence Over Time



- **Must address sequence in which customers will use each core and supplementary service**
- **Determine approximate length of time required for each step**
- **Information should reflect good understanding of customers, especially their:**
 - ➔ **needs**
 - ➔ **habits**
 - ➔ **expectations**

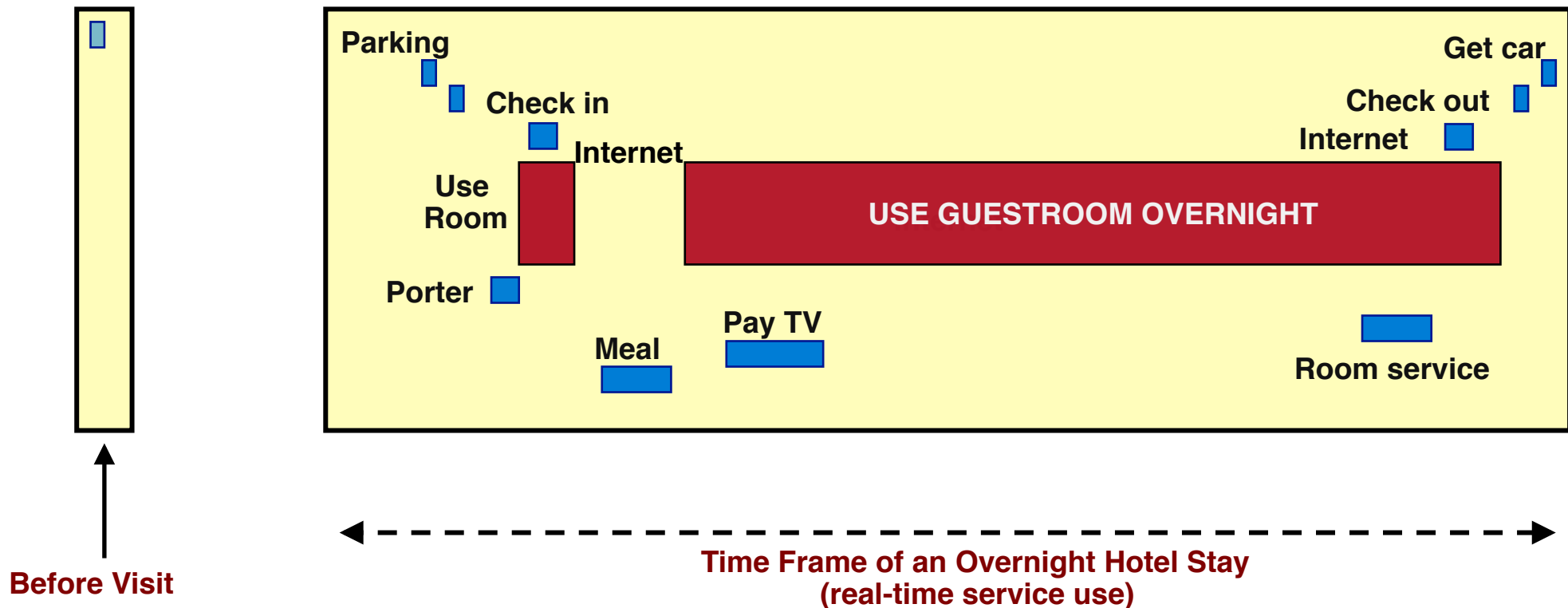
Integration of Core Product, Supplementary Elements, and Delivery Process



Temporal Dimension to Augmented Product



Reservation





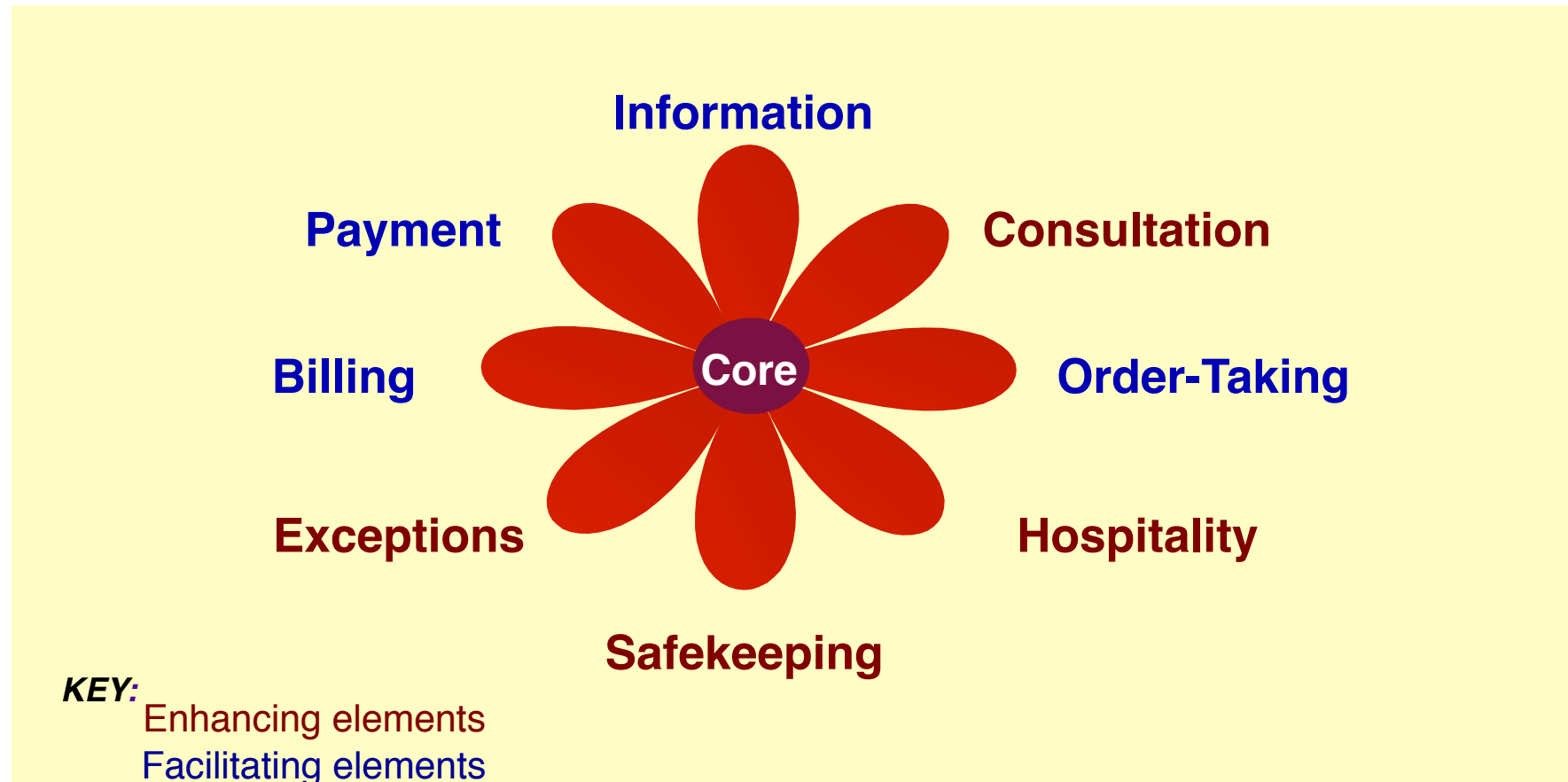
The Flower of Service

The Flower of Service

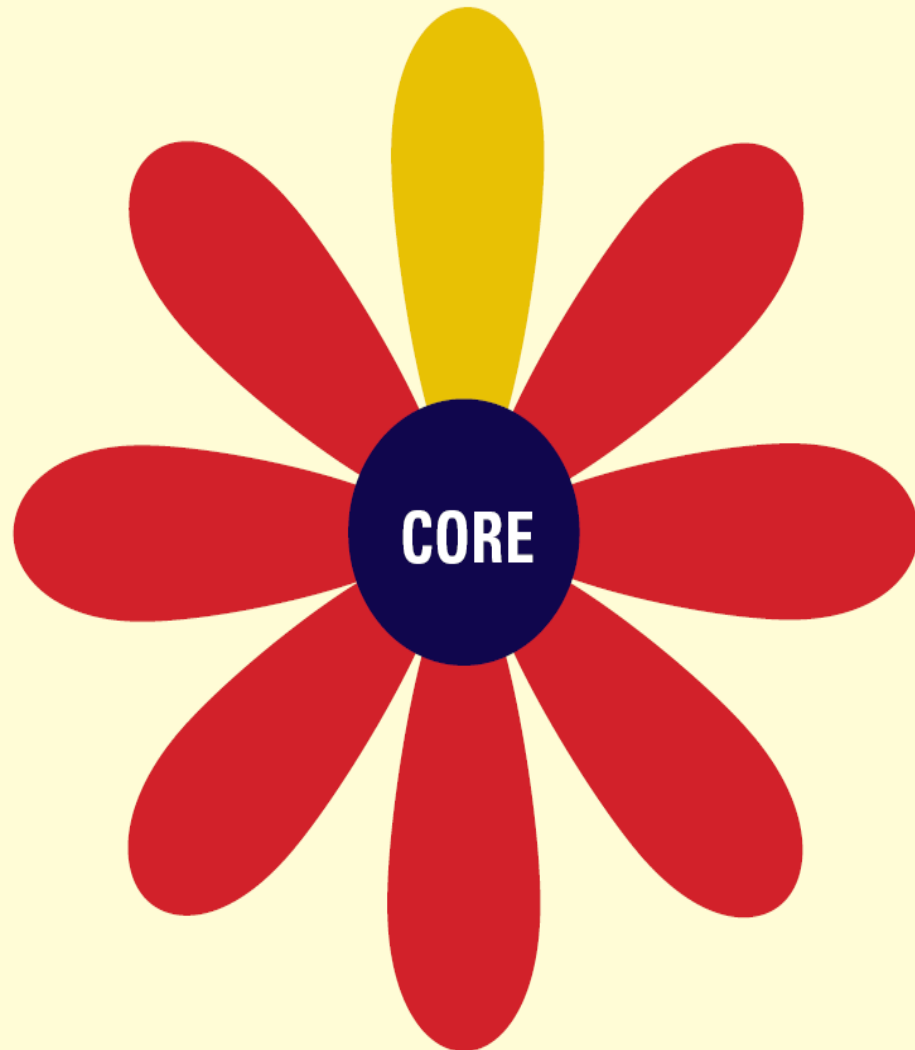


- **There are two types of supplementary services**
 - **Facilitating:** either needed for service delivery, or help in the use of the core product
 - **Enhancing:** add extra value for the customer
- **In a well-managed service organization, the petals and core are fresh and well-formed**
- **Market positioning strategy helps to determine which supplementary services should be included**

The Flower of Service

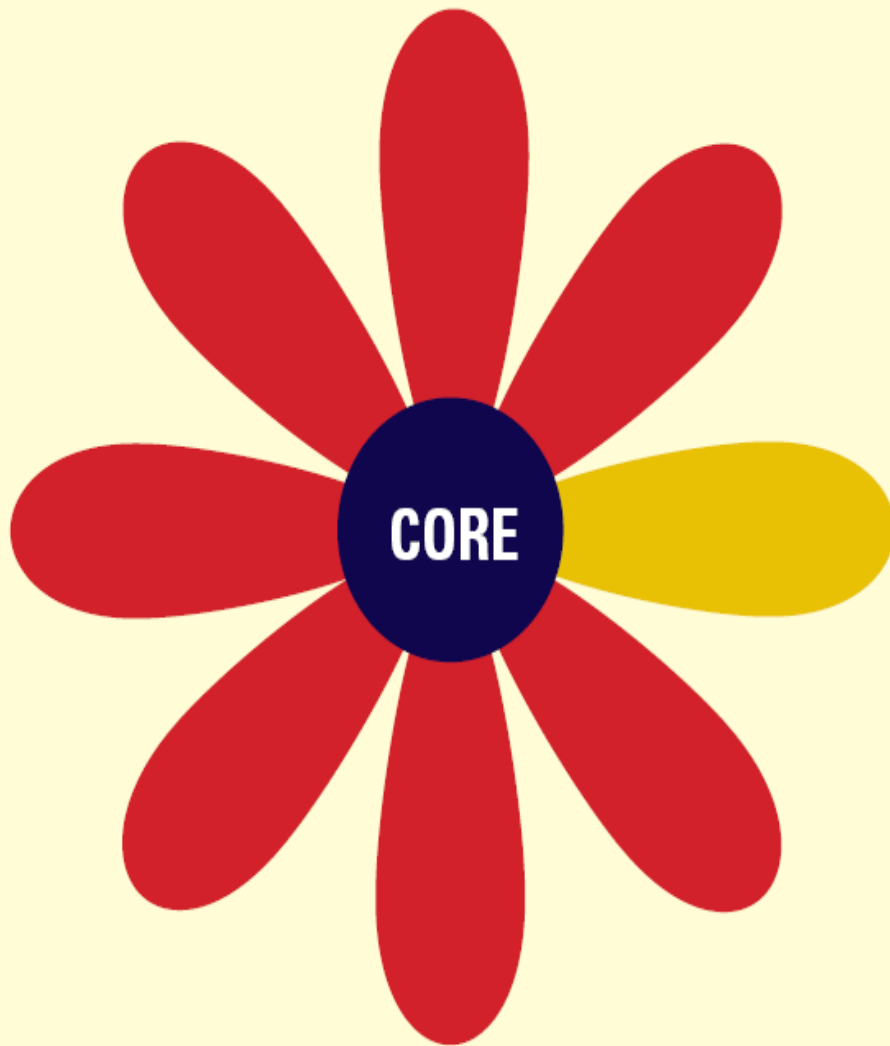


Facilitating Services – Information



- Directions to service site
- Schedules/service hours
- Prices
- Reminders
- Warnings
- Conditions of sale/service
- Notification of changes
- Documentation
- Confirmation of reservations
- Summaries of account activities
- Receipts and tickets

Facilitating Services – Order-Taking



Applications

- Memberships in clubs/programs
- Subscription services
(e.g., utilities)
- Prerequisite based services
(e.g., financial credit,
college enrollment)

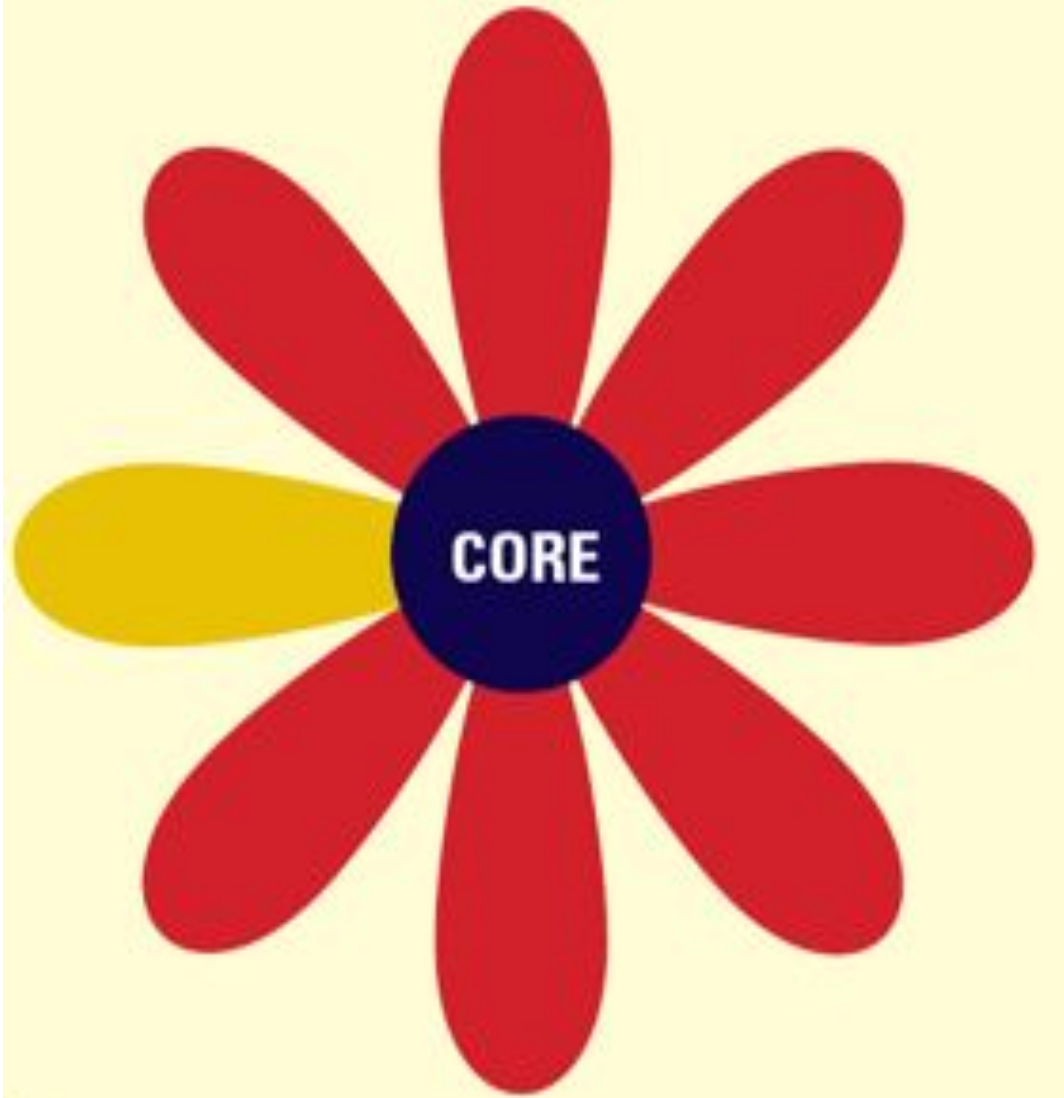
Order Entry

- On-site order fulfillment
- Mail/telephone/e-mail/web order

Reservations and Check-in

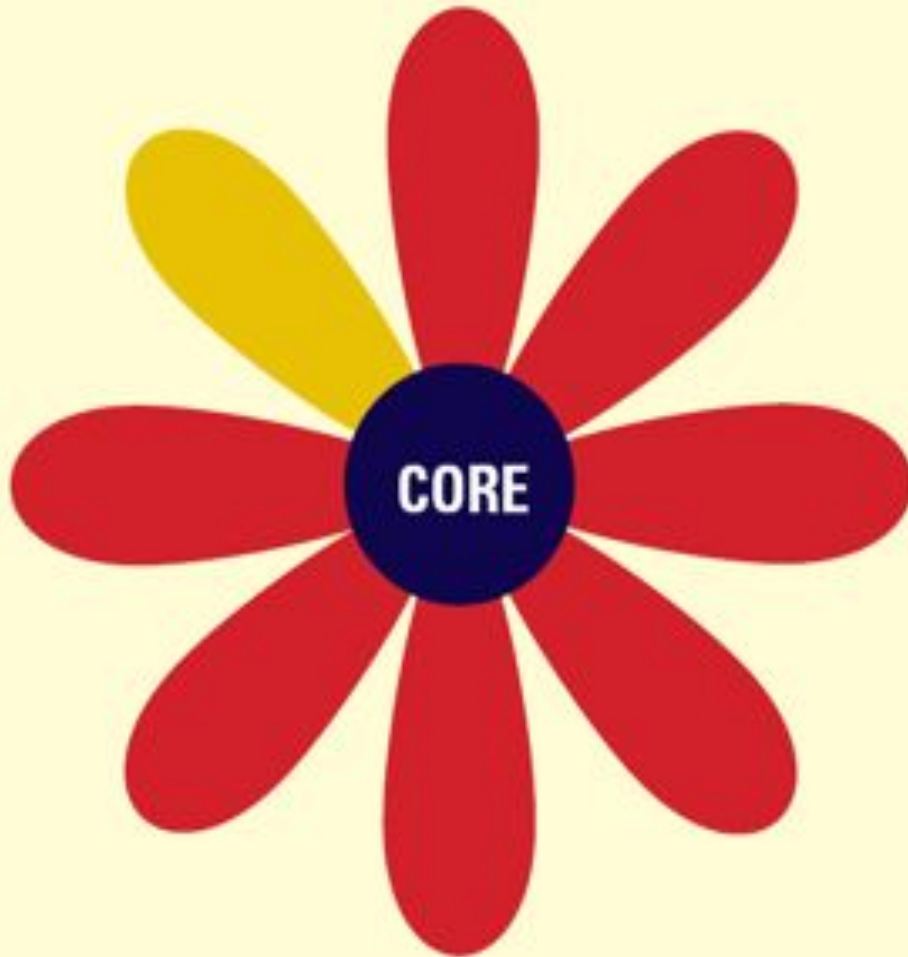
- Seats/tables/rooms
- Vehicles or equipment rental
- Professional appointments

Facilitating Services – Billing



- Periodic statements of account activity
- Invoices for individual transactions
- Verbal statements of amount due
- Self-billing (computed by customer)
- Machine display of amount due

Facilitating Services – Payment



Self-Service

- Insert card, cash or token into machine
- Electronic funds transfer
- Mail a check
- Enter credit card number online

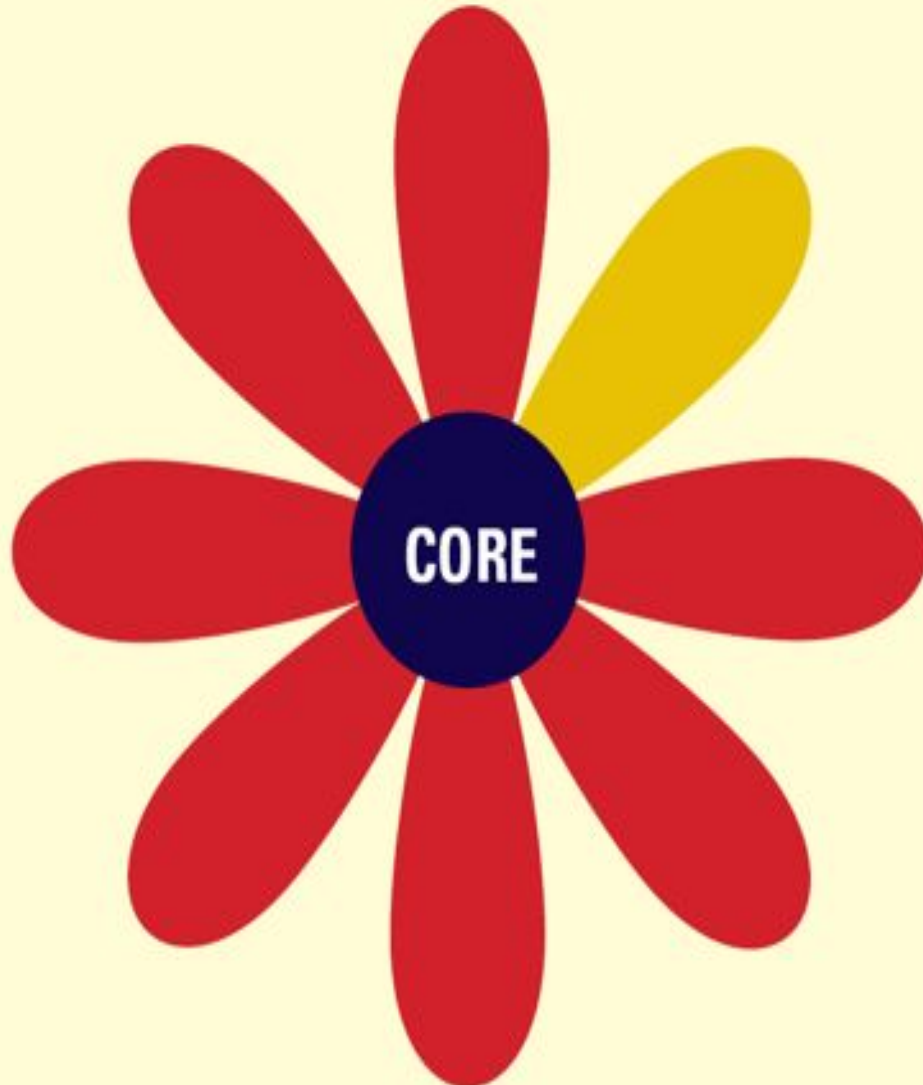
Direct to Payee or Intermediary

- Cash handling or change giving
- Check handling
- Credit/charge/debit card handling
- Coupon redemption

Automatic Deduction from Financial Deposits

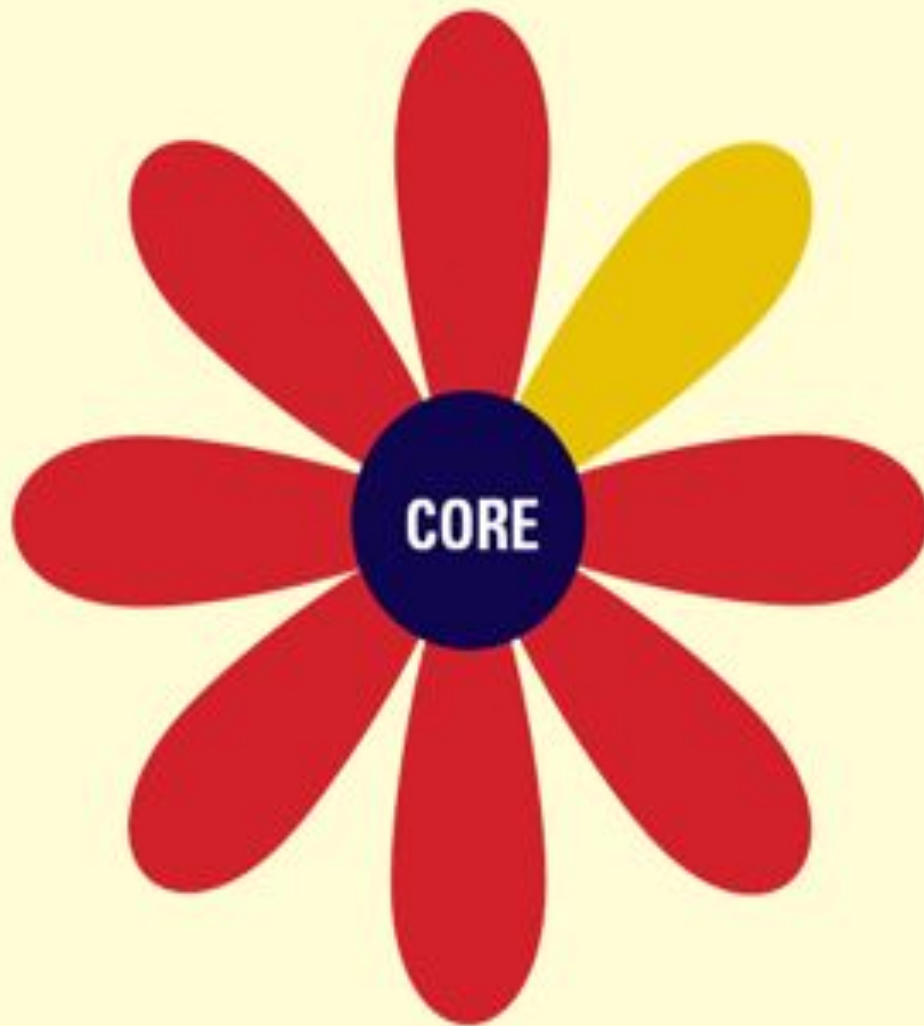
- Automated systems (e.g., machine-readable tickets that operate entry gate)
- Human systems (e.g., toll collectors)

Enhancing Services – Consultation



- Customized advice
- Personal counseling
- Tutoring/training in product use
- Management or technical consulting

Enhancing Services – Hospitality

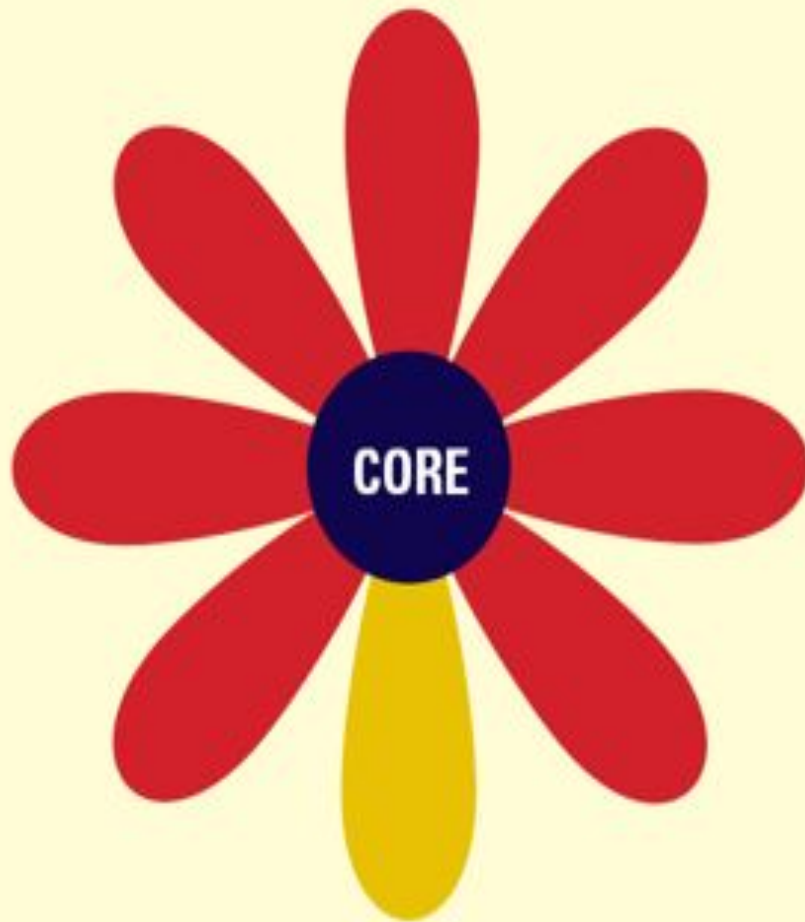


Greeting
Food and beverages
Toilets and washrooms
Waiting facilities and amenities

- Lounges, waiting areas, seating
- Weather protection
- Magazines, entertainment, newspapers

Transport
Security

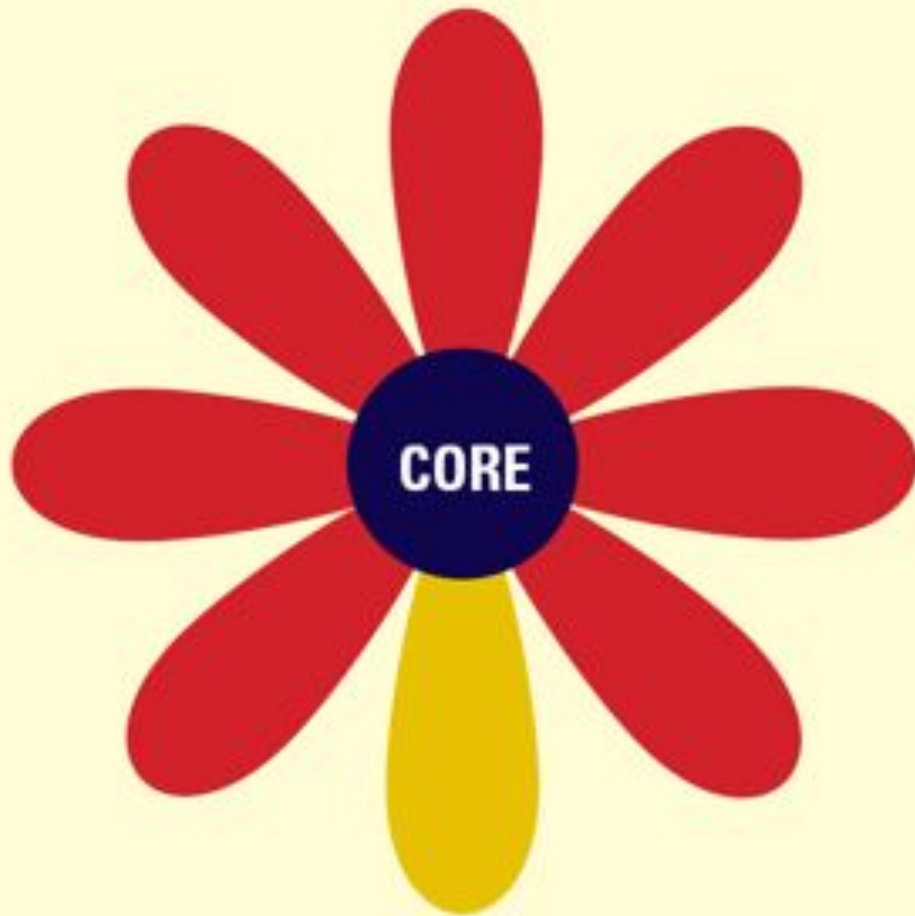
Enhancing Services – Safekeeping



Caring for Possessions Customer Bring with Them

- Child care, pet care
- Parking for vehicles, valet parking
- Coat rooms
- Baggage handling
- Storage space
- Safe deposit boxes
- Security personnel

Enhancing Services – Safekeeping (cont)



Caring for Goods Purchased (or Rented) by Customers

- Packaging
- Pickup
- Transportation and delivery
- Installation
- Inspection and diagnosis
- Cleaning
- Refueling
- Preventive maintenance
- Repair and renovation

Enhancing Services – Exceptions

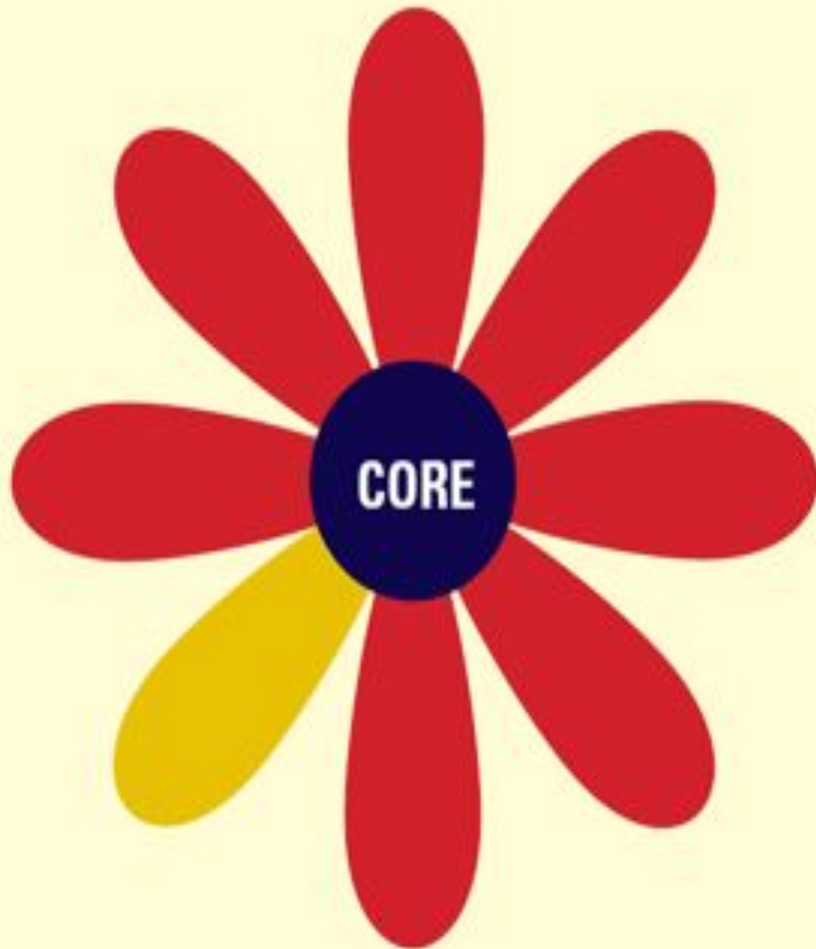


Special Requests in Advance of Service Delivery

- Children's needs
- Dietary requirements
- Medical or disability needs
- Religious observances

Handling Special Communications

- Complaints
- Compliments
- Suggestions



Enhancing Services – Exceptions (cont)



Problem Solving

- Warranties and guarantees
- Resolving difficulties that arise from using
the product
- Resolving difficulties caused by accidents,
service failures
- Assisting customers who have suffered an accident or a medical emergency

Restitution

- Refunds and compensation
- Free repair of defective goods

Managerial Implications



- **Core products do not have to have supplementary elements**
- **Nature of product helps determine supplementary services offered to enhance value**
- **People-processing and high contact services have more supplementary services**
- **Different levels of service can add extra supplementary services for each upgrade in service level**
- **Low-cost, no-frills basis firms needs fewer supplementary elements**



Branding Service Products and Experiences

Service Products, Product Lines, and Brands



- **Service Product:** A defined and consistent “**bundle of output**”
 - Supported by supplementary services (assembly of elements that are built around the core product)
 - Differentiated by bundle of output
- **Product Line:** Most service organizations offer a **line of products** rather than just a single product.
- There are three broad alternatives for product lines:
 - Single brand to cover all products and services
 - A separate, stand-alone brand for each offering
 - Some combination of these two extremes

Spectrum of Branding Alternatives



Source: Derived from Aaker and Joachimsthaler

Example: British Airways Subbrands



British Airways offers seven distinct air travel products

Intercontinental Offerings

First (Deluxe Service)

Club World (Business Class)

World Traveller Plus (Premier economy)

World Traveller (Economy)

Intra-European Offerings

Club Europe (Business Class)

Shuttle

Euro-Traveller (Economy)

Offering a Branded Experience



Branding can be employed at corporate and product levels

- **Corporate brand:**

- Easily recognized,
- Holds meaning to customers,
- Stands for a particular way of doing business

- **Product brand:**

- Helps firm communicate **distinctive experiences** and benefits associated with **a specific service concept**

Moving Towards a Branded Experience



**Create brand
promise**

**Shape truly
differentiated
customer
experience**

**Give employees
skills, tools, and
supporting
processes to deliver
promise**

**Measure and
monitor**

Offering A Branded Experience



“The brand promise or value proposition is not a tag line, an icon, or a color or a graphic element, although all of these may contribute.

It is, instead, **the heart and soul of the brand.**”

Don Schultz



New Service Development

A Hierarchy of New Service Categories



Major Service Innovations: New core products for previously undefined markets

Major Process Innovations: Using new processes to deliver existing products with added benefits

Product Line Extensions: Addition to current product lines

Process-line Extensions: Alternative delivery procedures

Supplementary Service Innovations: Additions of new or improved facilitating or enhancing elements

Service Improvements: Modest changes in the performance of current products

Style Changes: Visible changes in service design or scripts

Reengineering Service Processes



- **Service processes affect customers and also cost, speed, and productivity**
- **Reengineering – analyzing and redesigning processes to achieve faster and better performance**
- **Examination of processes can lead to creation of alternative delivery methods:**
 - ➔ **Add or eliminate supplementary services**
 - ➔ **Re-sequence delivery of service elements**
 - ➔ **Offer self-service options**

Physical Goods as a Source of New Service Ideas



- **Goods and services may become competitive substitutes if they offer the same key benefits**
- **Provides an alternative to owning the physical good that can attain the desired outcome**
- **Any new good may create need for after-sales services now and be a source of future revenue stream**

Creating Services as Substitutes for Physical Good



	Own a Physical Good	Rent Use of Physical Good
Perform Work Oneself	<ul style="list-style-type: none">▪ Drive Own Car▪ Use Own Computer	<ul style="list-style-type: none">▪ Rent a Car and Drive it▪ Rent Use of Computer
Hire Someone to Do Work	<ul style="list-style-type: none">▪ Hire a Chauffeur to Drive▪ Hire a Typist to Type	<ul style="list-style-type: none">▪ Hire a Taxi or Limousine▪ Send Work out to a Secretarial Service

Achieving Success in Developing New Services



- **Services are not immune to high failure rates that plague new manufactured products**
- **In developing new services:**
 - ➔ **core product is often of secondary importance, many innovations are in supplementary services or service delivery**
 - ➔ **ability to maintain quality of the total service offering is key**
 - ➔ **accompanying marketing support activities are vital**
 - ➔ **Market knowledge is of utmost importance**

Success Factors in New Service Development



- **Market synergy**
 - Good fit between new product and firm's image
 - Advantage in meeting customers' needs
 - Strong support from firm during and after launch
 - Understands customer purchase decision behavior
- **Organizational factors**
 - Strong inter-functional cooperation and coordination
 - Internal marketing to educate staff on new product and its importance

Success Factors in New Service Development



- **Market research factors**
 - ➔ **Scientific studies conducted early in development process**
 - ➔ **Product concept well defined before undertaking field studies**



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Summary



- **Creating services involve:**
 - ➔ **Designing the core product, supplementary services, and their delivery processes**
- **Flower of service includes **core product** and two types of supplementary services: facilitating and enhancing**
 - ➔ **Facilitating services** include information, order taking, billing, and payment
 - ➔ **Enhancing services** include consultation, hospitality, safekeeping, and exceptions

Summary



- **Spectrum of branding alternatives exists for services**
 - **Branded house**
 - **Subbrands**
 - **Endorsed brands**
 - **House of brands**

- **To develop new services, we can**
 - **Reengineer service processes**
 - **Use physical goods as a source of new service ideas**
 - **Use research to design new services**
 - **Understand how to achieve success in new service development**