Chapter 3: Developing Service Concepts: Core and Supplementary Elements

Service Encounters Range

- Nursing Home
- Haircut
- Four-Star Hotel
- Good Restaurant
- Airline Travel
- Retail Banking
- Motel
- Fast Food
- Subway
- Internet Banking
- Mail-Based Repairs
- Internet-Based Services

- Management Consulting
- Telephone Banking
- Car Repair
- Insurance
- Cable TV
- Movie Theater
- Dry Cleaning
- Retail Banking
- Motel
- Fast Food
- Subway
- Internet Banking
- Mail-Based Repairs
- Internet-Based Services
The Servuction System

Service Marketing System for a Low-Contact Service (Fig 2.11)

**Service Operations System**

**SERVICE MARKETING SYSTEM**

**Service Delivery System**

- Mail
- Self Service Equipment
- Phone, Fax, Website, etc.

**Other Contact Points**

- Advertising
- Market Research Surveys
- Billing/Statements
- Random Exposure to Facilities/Vehicles
- Word of Mouth
Service Marketing System for a High-Contact Service (Fig 2.10)

Service Operations System

- Technical Core
  - Interior & Exterior Facilities
  - Equipment
  - Service People

- Service Delivery System
  - The Customer

- Other Contact Points
  - Advertising
  - Sales Calls
  - Market Research Surveys
  - Billing/Statements
  - Misc. Mail, Phone Calls, E-mails, Faxes, etc.
  - Website
  - Random Exposure to Facilities/Vehicles
  - Chance Encounters with Service Personnel
  - Word of Mouth

Designing a Service Concept

- Core Product
  - Central component that supplies the principal, problem-solving benefits customers seek

- Supplementary Services
  - Augment 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
The Flower of Service (Fig 3.6)

Information
Payment
Consultation
Billing
Order Taking
Exceptions
Hospitality
Safekeeping

KEY:
Facilitating elements
Enhancing elements

Information and Physical Processes of Augmented Service Product (Fig 4.1)
Core and Supplementary Services at Luxury Hotel
(Offering Much More than Cheap Motel!)

- Reservation
- Valet Parking
- Business Center
- Reception
- Baggage Service
- Cocktail Bar
- Restaurant
- Entertainment/Sports/Exercise
- Internet
- Wake-up Call
- Room Service
- Cashier

A Bed for the Night in an Elegant Private Room with a Bathroom

Core and Supplementary Product Design: An Integrated Perspective (Fig 3.2)

- Scheduling
- Nature of Process
- Service Level
- Customer Role
- Delivery Concept for Core Product

Supplementary services offered and delivered
### Four Categories Of Services (Fig 2.1)

<table>
<thead>
<tr>
<th>Nature of the Service Act</th>
<th>People processing</th>
<th>Possessions processing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible Actions</strong></td>
<td>People</td>
<td>Possession</td>
</tr>
<tr>
<td>People</td>
<td></td>
<td>Processing</td>
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<tr>
<td>(services directed at</td>
<td></td>
<td>(services directed at</td>
</tr>
<tr>
<td>people’s bodies)</td>
<td></td>
<td>physical possessions)</td>
</tr>
<tr>
<td>- Barbers</td>
<td></td>
<td>- Refueling</td>
</tr>
<tr>
<td>- Health care</td>
<td></td>
<td>- Disposal/recycling</td>
</tr>
<tr>
<td><strong>Intangible Actions</strong></td>
<td>Mental stimulus</td>
<td>Information</td>
</tr>
<tr>
<td>People</td>
<td>processing</td>
<td>processing</td>
</tr>
<tr>
<td>(services directed at</td>
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<tr>
<td>people’s minds)</td>
<td>at intangible</td>
<td>intangible assets)</td>
</tr>
<tr>
<td>- Education</td>
<td>assets)</td>
<td>- Accounting</td>
</tr>
<tr>
<td>- Advertising/PR</td>
<td></td>
<td>- Banking</td>
</tr>
</tbody>
</table>

### Splitting Responsibilities For Supplementary Service Elements (Fig 4.3)

<table>
<thead>
<tr>
<th>As created by originating firm</th>
<th>As enhanced by distributor</th>
<th>As experienced by customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core product</td>
<td>Supplementary services</td>
<td>Total experience and benefits</td>
</tr>
</tbody>
</table>

**Challenges for original supplier**

- Act as guardian of overall process
- Ensure that each element offered by intermediaries fits overall service concept
Example: Buying at Ebay

Information and Physical Processes of Augmented Service Product (Fig 4.1)
The Servuction System

The Flower of Service (Fig 3.6)

KEY:
Facilitating elements
Enhancing elements
Homework till Tuesday

Build a service flower of your Business

Where might be possibilities to change your offer?

Core and Supplementary Product Design: An Integrated Perspective (Fig 3.2)
Examples of Service Tiering in Different Industries (Table 7.1)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Tiers</th>
<th>Key Service Attributes and Physical Elements Used in Tiering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>Star or diamond ratings (5 to 1)</td>
<td>Architecture; landscaping; room size; furnishings and décor; restaurant facilities and menus; room service hours; array of services and physical amenities; staffing levels; caliber and attitudes of employees</td>
</tr>
<tr>
<td>Airline</td>
<td>Classes (intercontinental): first, business, premium economy, economy</td>
<td>Seat pitch; seat width and reclining capability; meal and beverage service; staffing ratios; check-in speed; departure and arrival lounges; baggage retrieval speed</td>
</tr>
<tr>
<td>Car Rental</td>
<td>Class of vehicle</td>
<td>Vehicle size (from subcompact to full size); degree of luxury; special vehicle types (minivan, SUV, convertible)</td>
</tr>
</tbody>
</table>

Seven Star Hotel: Burj Al Arab
Developing Right Service Concept for a Specific Segment

- Use research to identify and prioritize which attributes of a given service are important to specific market segments

- Individuals may set different priorities according to:
  
  - Purpose of using the service
  - Who makes decision
  - Timing of use
  - Whether service is used alone or with a group
  - Composition of that group

Innovative Services - Task

- Why are they innovative?

- Are they successful? What is the basis of their success?

- Do you like them? Why?

Discuss in Groups of two

- ???
A Hierarchy of New Service Categories (1)

1. Style changes
   - Visible changes in service design or scripts

2. Service improvements
   - Modest changes in the performance of current products

3. Supplementary service innovations
   - Addition of new or improved facilitating or enhancing elements

4. Process-line extensions
   - Alternative delivery procedures

A Hierarchy of New Service Categories (2)

5. Product-line extensions
   - Additions to current product lines

6. Major process innovations
   - Using new processes to deliver existing products with added benefits

7. Major service innovations
   - New core products for previously undefined markets
Physical Goods as a Source Of New Service Ideas

- **Services can be built around rentals**: Alternatives to owning a physical good and/or doing work oneself
  - Customers can *rent* goods—use and return for a fee—instead of purchasing them
  - Customers can hire personnel to operate own or rented equipment

- **Any new durable good may create need for after-sales services now and in future**—*possession processing*
  - Shipping
  - Installation
  - Problem-solving and consulting advice
  - Cleaning and maintenance
  - Upgrades
  - Removal and disposal

Achieving Success in Developing New Services

- **Services are not immune to high failure rates that plague new manufactured products**
  - “*dot.com*” companies

- **In developing new services**
  - Core product is of secondary importance
  - Ability to maintain quality of the total service offering is key
  - Accompanying marketing support activities are vital
  - Market knowledge is of utmost importance
Creating Services as Substitutes for Owning and/or Using Goods (Fig 3.10)

- **Own a Physical Good**
  - Drive Own Car
  - Use Own Computer

- **Rent Use of a Physical Good**
  - Rent a Car and Drive it
  - Rent Use of Computer

- **Perform Work Oneself**
- **Hire Someone to Do Work**
  - Hire a Chauffeur to Drive
  - Hire a Typist to Type
  - Hire a Taxi or Limousine
  - Send Work Out to a Secretarial Service

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Success Factors in New Service Development

- **Market synergy**
  - Good fit between new product and firm’s image/resources
  - Advantage versus competition in meeting customers’ needs

- **Organizational factors**
  - Strong interfunctional cooperation and coordination
  - Internal marketing to educate staff on new product and its competition
  - Employees understand importance of new services to firm

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