



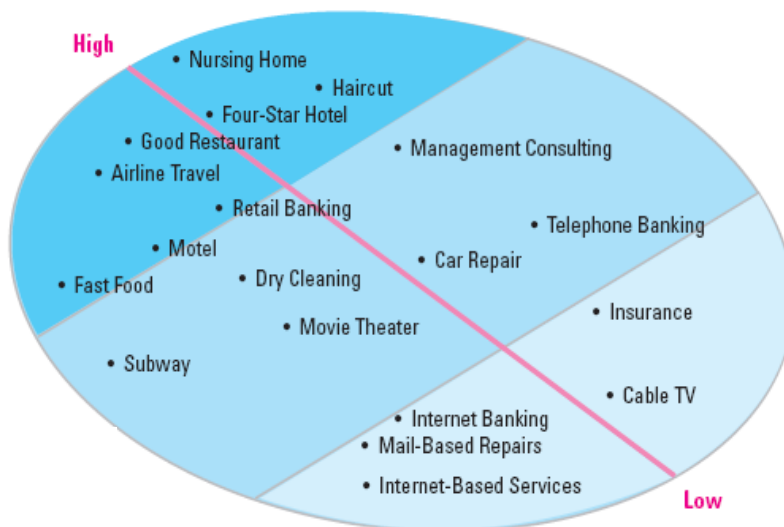
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Chapter 4: Developing Service Concepts: Core and Supplementary Elements



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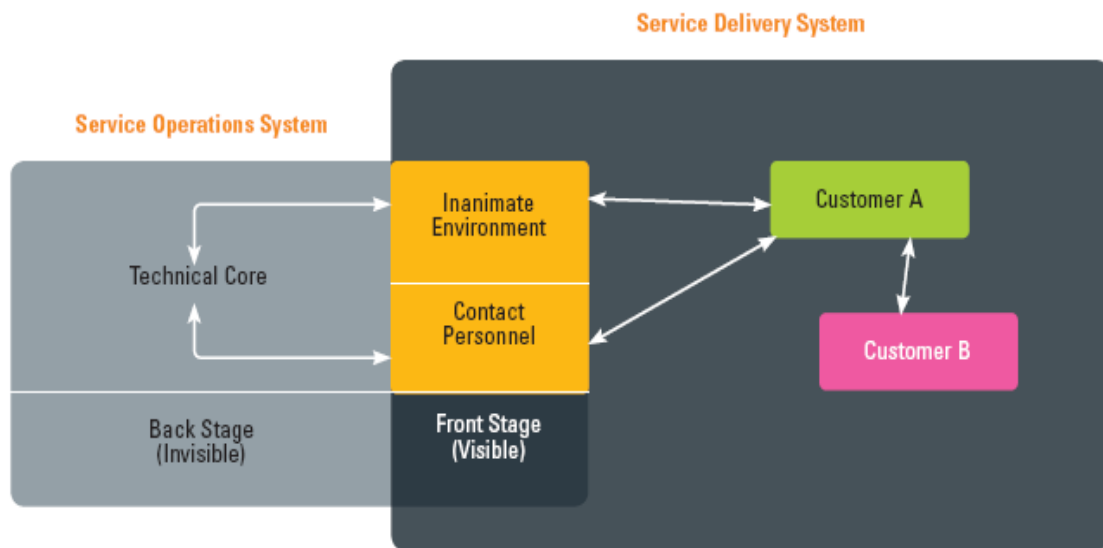
Service Encounters Range





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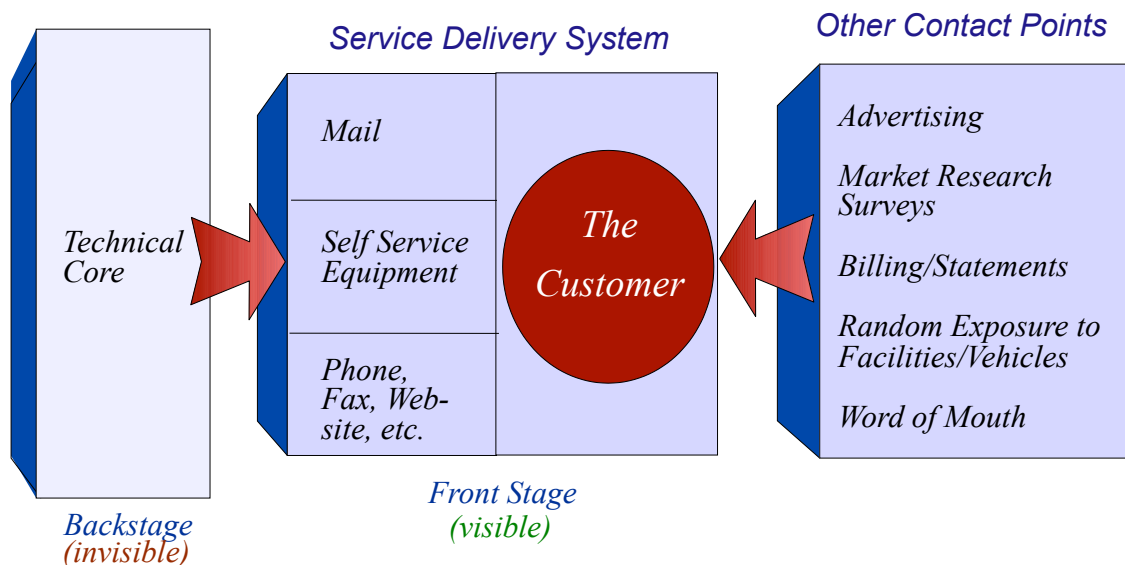


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Service Marketing System for a Low-Contact Service (Fig 2.11)

Service Operations System

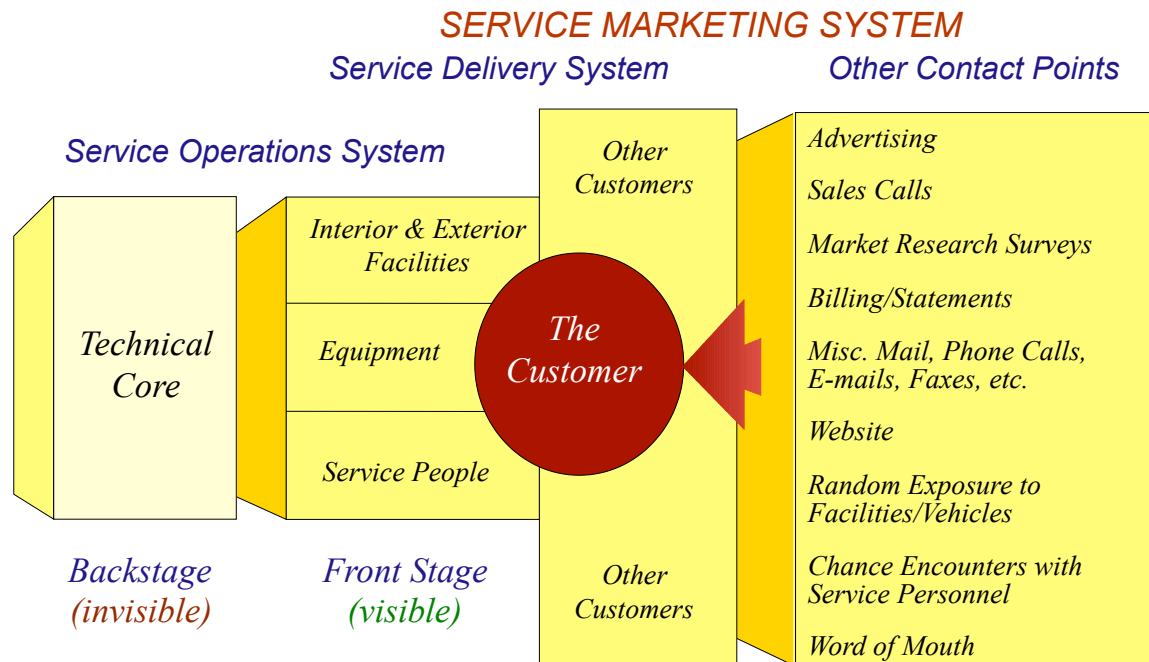
SERVICE MARKETING SYSTEM





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Service Marketing System for a High-Contact Service (Fig 2.10)



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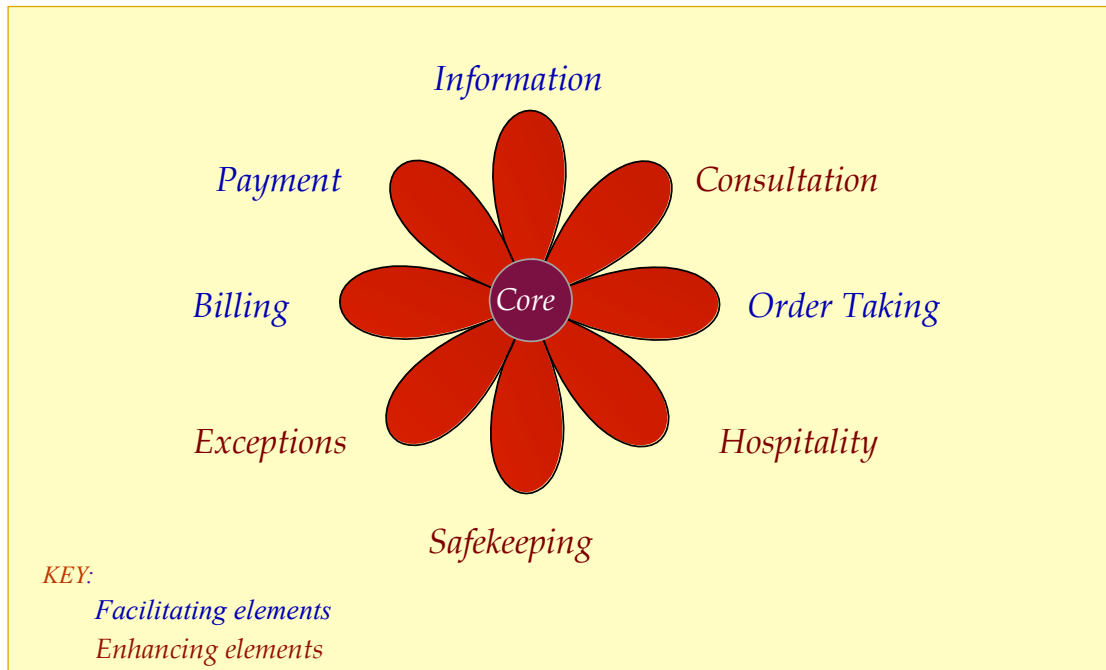
Designing a Service Concept

- **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



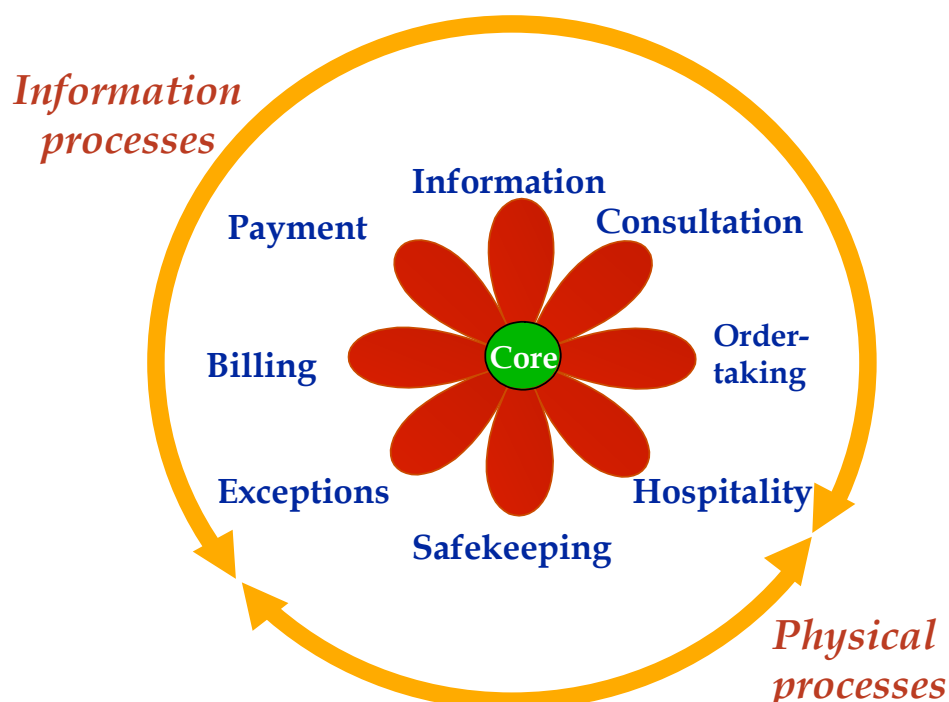
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The Flower of Service (Fig 3.6)



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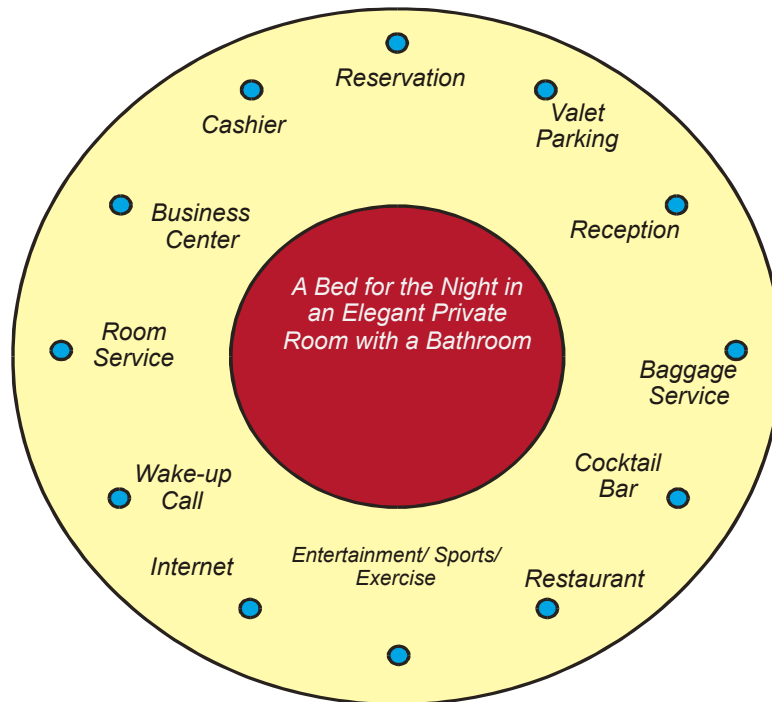
Information and Physical Processes of Augmented Service Product (Fig 4.1)





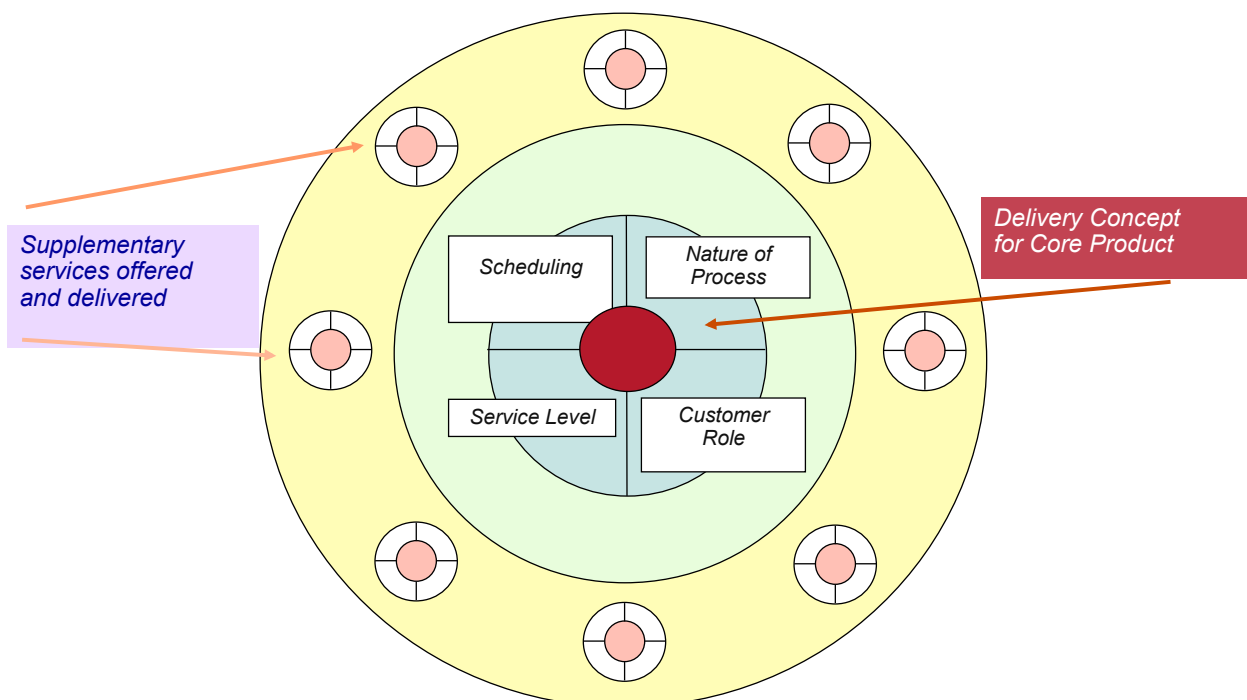
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Core and Supplementary Services at Luxury Hotel (Offering Much More than Cheap Motel!)



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





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Four Categories Of Services (Fig 2.1)

Nature of the Service Act	Who or What Is the Direct Recipient of the Service?	
	People	Possessions
Tangible Actions	People processing (services directed at people's bodies): <ul style="list-style-type: none"> Barbers Health care 	Possession processing (services directed at physical possessions): <ul style="list-style-type: none"> Refueling Disposal/recycling
Intangible Actions	Mental stimulus processing (services directed at people's minds): <ul style="list-style-type: none"> Education Advertising/PR 	Information processing (services directed at intangible assets): <ul style="list-style-type: none"> Accounting Banking



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Examples of Service Tiering in Different Industries (Table 7.1)

Industry	Tiers	Key Service Attributes and Physical Elements Used in Tiering
Lodging	Star or diamond ratings (5 to 1)	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
Airline	Classes (intercontinental): first, business, premium economy, economy	Seat pitch; seat width and reclining capability; meal and beverage service; staffing ratios; check-in speed; departure and arrival lounges; baggage retrieval speed
Car Rental	Class of vehicle	Vehicle size (from subcompact to full size); degree of luxury; special vehicle types (minivan, SUV, convertible)



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Seven Star Hotel: Burj Al Arab



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Developing Right Service Concept for a Specific Segment

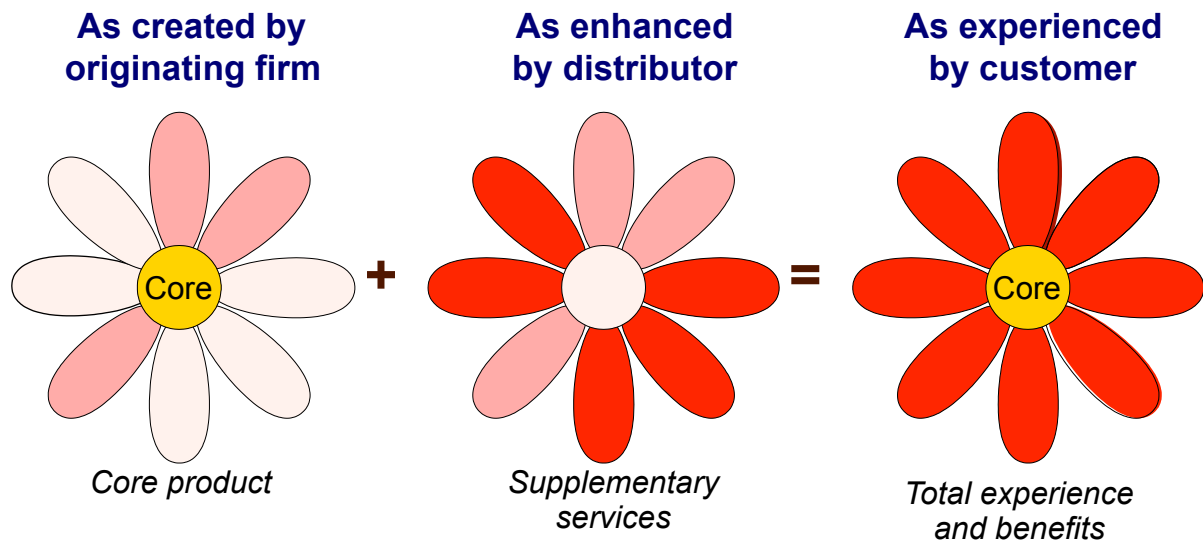
- Use research to identify and prioritize which attributes of a given service are important to specific market segments
- Individuals may set different priorities according to:
 - Purpose of using the service
 - Who makes decision
 - Timing of use
 - Whether service is used alone or with a group
 - Composition of that group





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Splitting Responsibilities For Supplementary Service Elements (Fig 4.3)



Challenges for original supplier

- Act as guardian of overall process
- Ensure that each element offered by intermediaries fits overall service concept



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Example: Buying at Ebay



Gandhi Appliances
110/220 v Electronics & Appliances

ebay

PayPal





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



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Which distribution channels of services do you know? Add a business example

Type	Advantage	Challenges

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Six Options for Service Delivery (Table 4.1)

<i>Type of Interaction between Customer and Service Organization</i>	<i>Availability of Service Outlets</i>	
	<i>Single Site</i>	<i>Multiple Sites</i>
Customer goes to service organization	Theater Barbershop	Bus service Fast-food chain
Service organization comes to customer	House painting Baby Sitter	Mail delivery
Customer and service organization transact remotely (mail or electronic communications)	Credit card company Local TV station	Broadcast network Telephone company



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Which distribution channels of services do you know? Add a business example

Type	Advantage	Challenges
•Internet	•Quick Easy, 24/7,	•Privacy, No Face2Face, fraud
•Face2Face	•Customized, easy problem solving, accuracy?, clear, adapt, social	•Human factor, language barriers, knowledge & skills
•Phone	•Convenience, social, often toll free	•Annoying, Waiting times, automated, language,
•Mail (credit card)	•Own time, cheap, good for documentation	•Slow, can be lost, no interaction,
•Mobil (banking)	•Convenience, free access, everywhere available, 24/7	•Lose service of carrier, security, depends on preferences of the consumer
•Media (Radio, Weather)	•Free, everywhere, lost investment	•Not customized, no interaction,



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Dunkin' Brands Distributes Its Branded Service Concepts through Franchisees (Fig 4.4)



*Dunkin' brands:
Dunkin' Donuts
(coffee and
baked goods),
Baskin Robbins
(ice cream),
Togo's
(sandwiches)*



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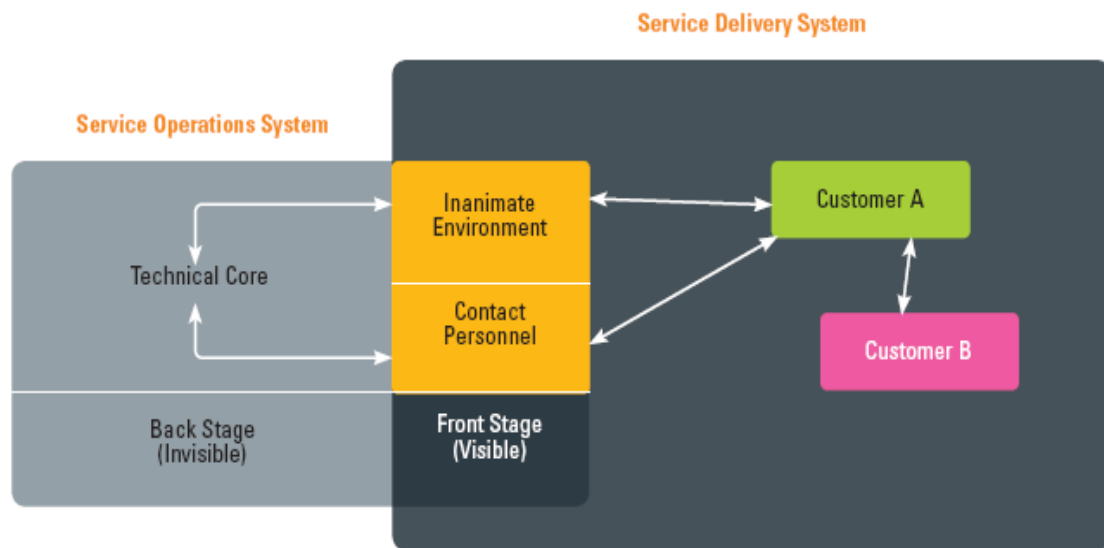
Franchising

- Popular way to expand delivery of effective service concept
- Franchising is a fast growth strategy, when
 - Resources are limited
 - Long-term commitment of store managers is crucial
 - Local knowledge is important
 - Fast growth is necessary to preempt competition
- **Disadvantages of franchising**
 - Some loss of control over delivery system and, thereby, over how customers experience actual service
 - Effective quality control is important yet difficult
 - Conflict between franchisees may arise especially as they gain experience



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Homework till Tuesday

Build a service flower of your Business

Where might be possibilities to change your offer?



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Innovative Services - Task

Come up with examples of innovative service companies

- **Why is your example company innovative?**
- **Are they successful? What is the basis of their success?**
- **Do you like them? Why?**

Discuss in Groups of two

- **???**



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Innovative Services - Task

Come up with examples of innovative service companies

- **Vlingo - voice-recognition**
- **Ebay - good things, for low, convenient**
- **Subway - service & fast food**
- **Stop & shop Peapod - Home delivery**
- **Zip car - renting an hour, convenient**
- **Foodler - online restaurant directory**



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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



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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



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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



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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





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Creating Services as Substitutes for Owning and/or Using Goods (Fig 3.10)

	Own a Physical Good	Rent Use of a 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



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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