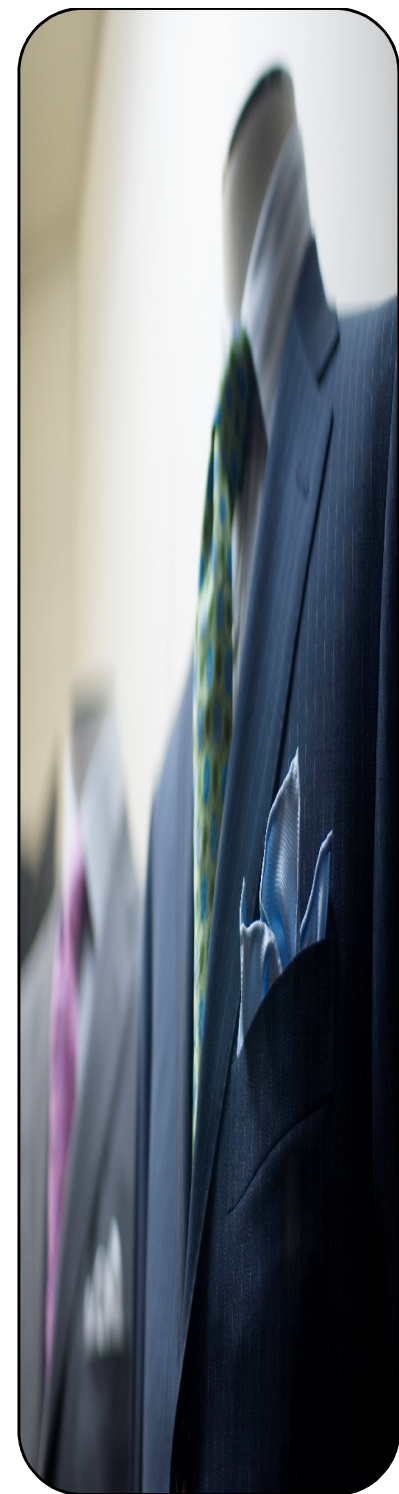


## CHAPTER 4



# Developing *SERVICE* Products: Core and Supplementary Elements



# Overview of Chapter 4



- **Designing a Service Product**
- **The Flower of Service**
- **Branding Service Products and Experiences**
- **New Service Development**

# Service Product



- **A service product comprises all elements of service performance, both tangible and intangible, that create value for customers.**
- **The service concept is represented by:**
  - **A core product,**
  - **Accompanied by supplementary services**

# Designing a Service Concept (1)



- **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**

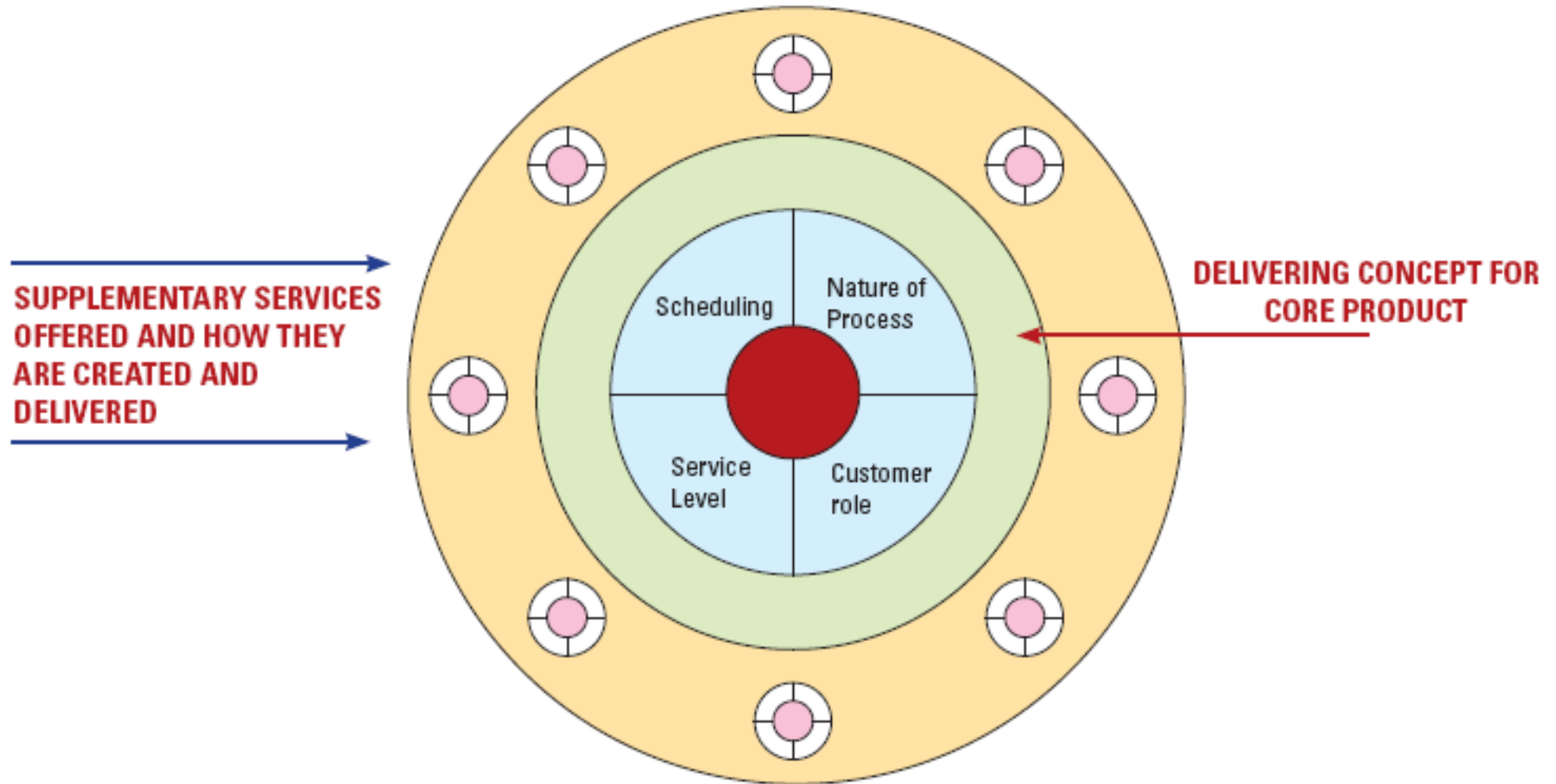
- Used to deliver both the core product and each of the supplementary services

# Designing a Service Concept (2)



- **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**

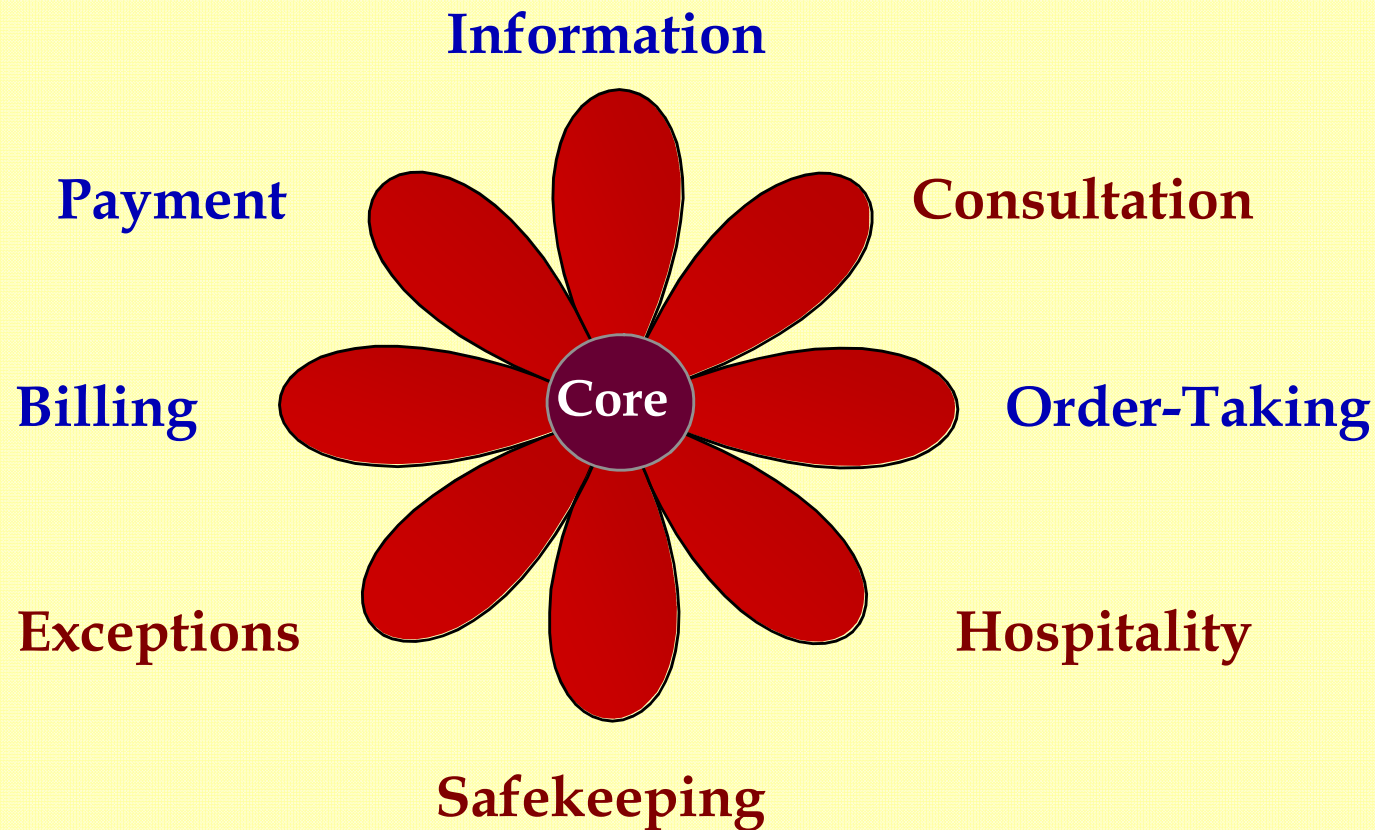
# Integration of Core Product, Supplementary Elements and Delivery Process (Fig. 4.3)





# ***The Flower of Service***

# The Flower of Service (Fig 4.4) (1)



**KEY:**

Facilitating elements

Enhancing elements



# The Flower of Service (2)



- **There are two kinds of supplementary services**
  - ➔ **Facilitating supplementary services – either needed for service delivery, or help in the use of the core product**
  - ➔ **Enhancing supplementary service – add extra value for the customer**
- **In a well-designed and 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**



## ● Facilitating

- **Information** – customers often require information about how to obtain and use a product or service
- **Order-Taking** – Customers need to know what is available and may want to secure commitment to delivery. The process should be fast and smooth
- **Billing** – Bills should be clear, accurate and intelligible
- **Payment** – Customers may pay faster and more cheerfully if you make transactions simple and convenient for them

# Supplementary Services (2)

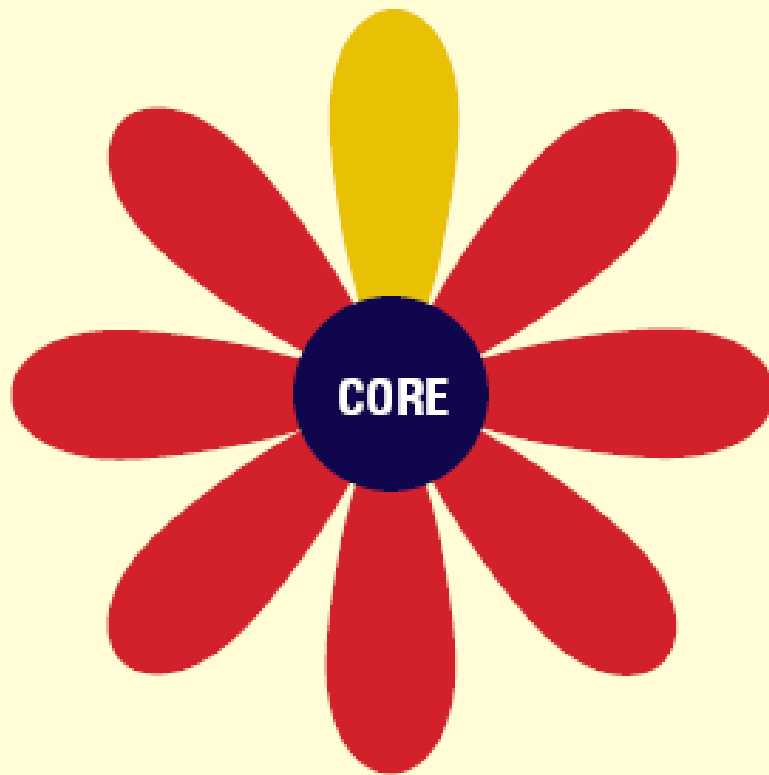


## ● Enhancing

- **Consultation** – Value can be added to goods and services by offering advice and consultation tailored to each customer's needs and situation
- **Hospitality** – Customers who invest time and effort in visiting a business and using its services deserve to be treated as welcome guests
- **Safekeeping** – Customers prefer not to worry about looking after the personal possessions that they bring with them to a service site
- **Exceptions** – Customers appreciate some flexibility when they make special requests and expect responsiveness when things don't go according to plan

# Facilitating Services – Examples of Information

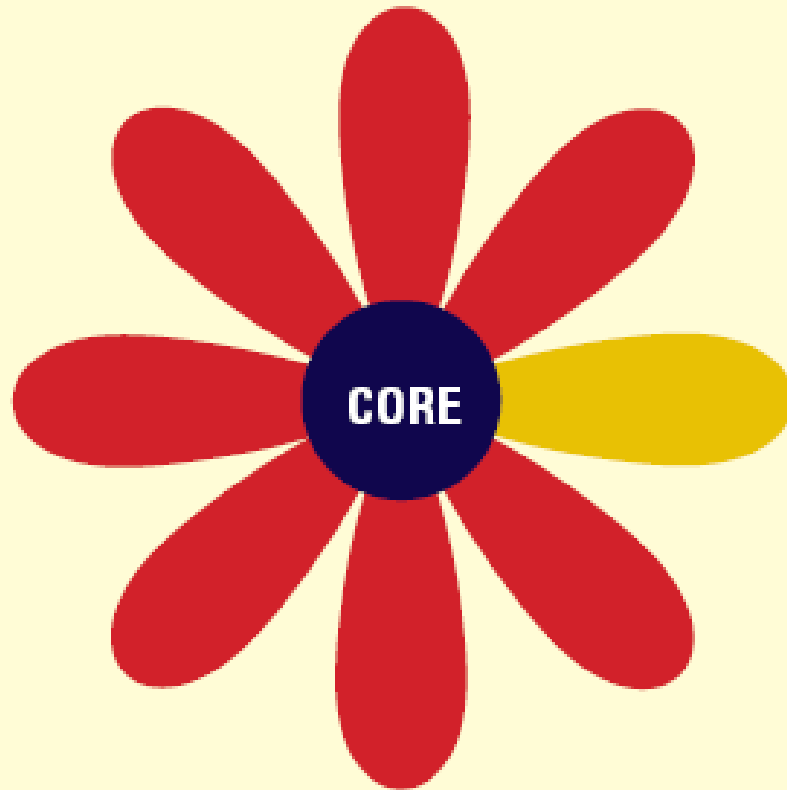
(Fig. 4.5)



- Direction 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 – Examples of Order-Taking

(Fig. 4.7)



## Applications

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

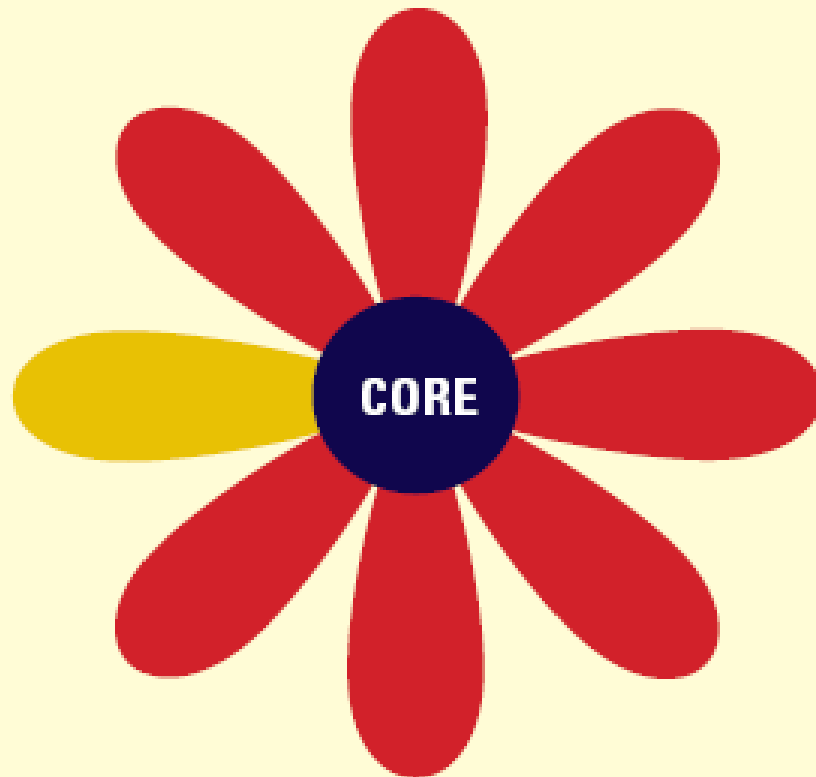
## Order Entry

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

## Reservations and Check-in

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

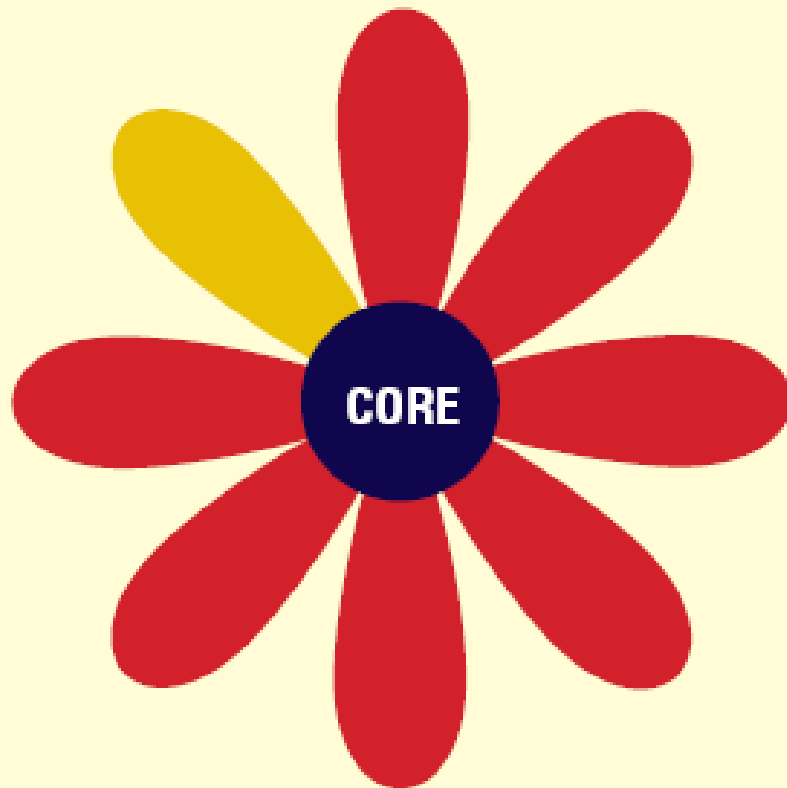
# Facilitating Services – Examples of Billing (Fig. 4.9)



- 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 – Examples of Payment

(Fig. 4.10)



## **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**

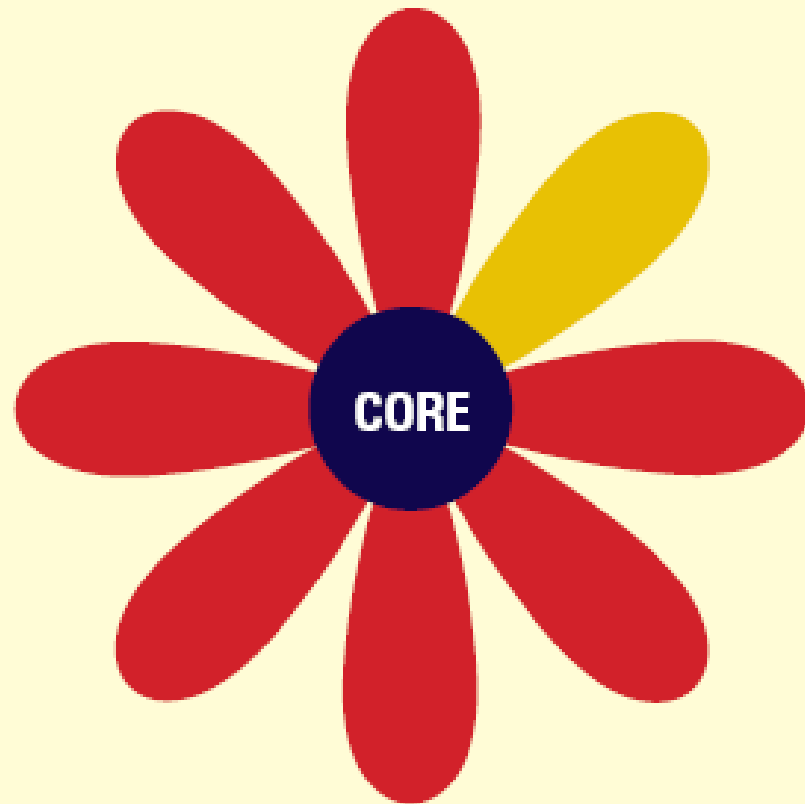
- Cash handling or change giving
- Check handling
- Credit/charge/debit card handling
- Coupon redemption

## **Automatic Deduction from Financial Deposits**

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

# Enhancing Services – Examples of Consultation

(Fig. 4.11)

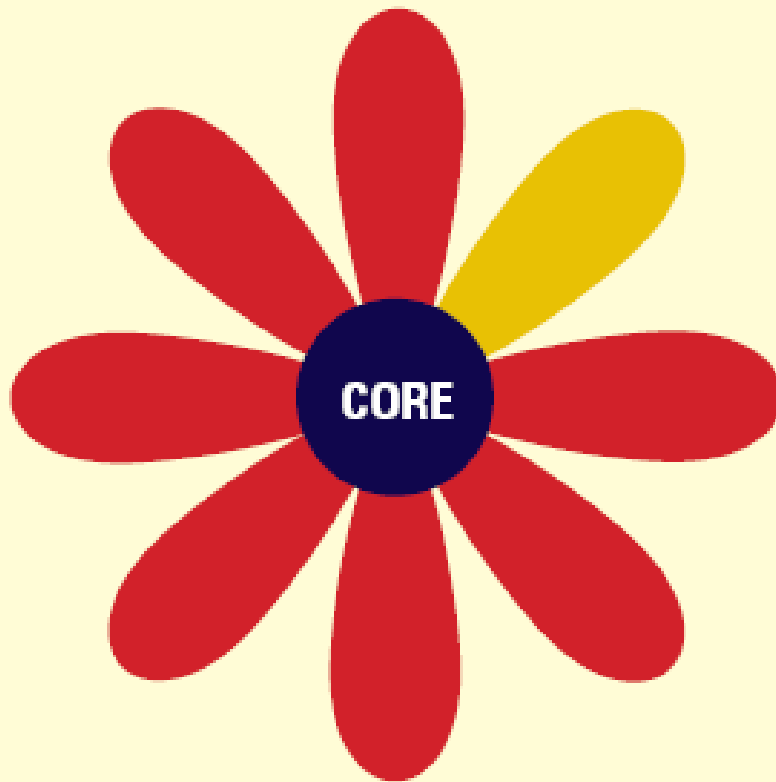


- Customized advice
- Personal counseling
- Tutoring/training in product use
- Management or technical consulting



# Enhancing Services – Examples of Hospitality

(Fig. 4.13)



**Greeting**

**Food and beverages**

**Toilets and washrooms**

**Waiting facilities and amenities**

- Lounges, waiting areas, seating

- Weather protection

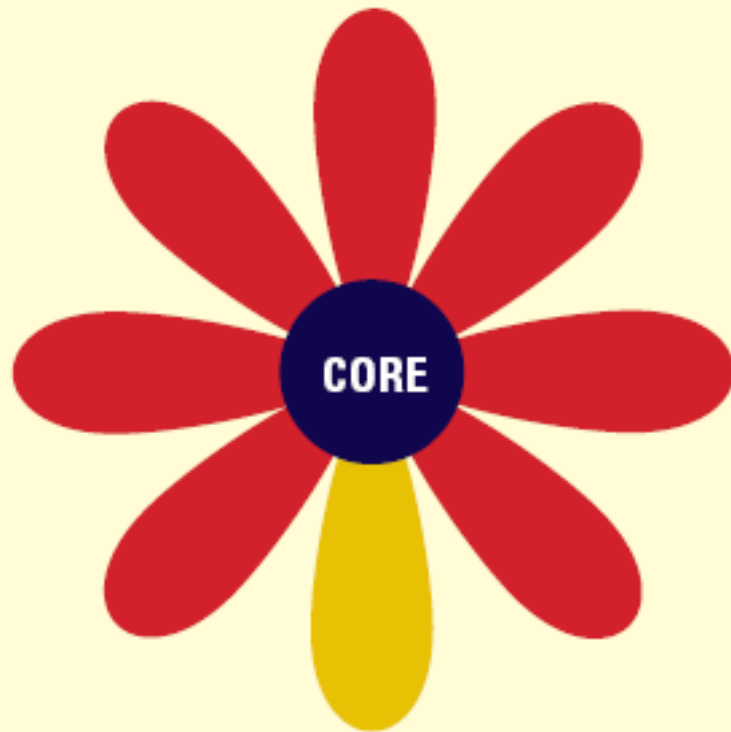
- Magazines, entertainment, newspapers

**Transport**

**Security**

# Enhancing Services – Examples of Safekeeping

(Fig. 4.14)



## **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

## **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 – Examples of Exceptions

(Fig. 4.15)



## **Special Requests in Advance of Service Delivery**

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

## **Handling Special Communications**

- Complaints
- Compliments
- Suggestions

## **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



- Not every core product is surrounded by supplementary elements from all eight clusters
- Nature of product helps to determine:
  - Which supplementary services must be offered
  - Which might usefully be added to enhance value and ease of doing business with the organization
- People-processing and high contact services tend to have more supplementary services
- Firms that offer different levels of service often add extra supplementary services for each upgrade in service level



***Branding Service  
Products and  
Experiences***

# Service Products



- **A product implies a defined and consistent “bundle of output”**
- **Firms can differentiate its bundle of output from competitors’**
- **Providers of more intangible services also offer a “menu” of products**
  - **Represent an assembly of elements that are built around the core product**
  - **May include certain value-added supplementary services**

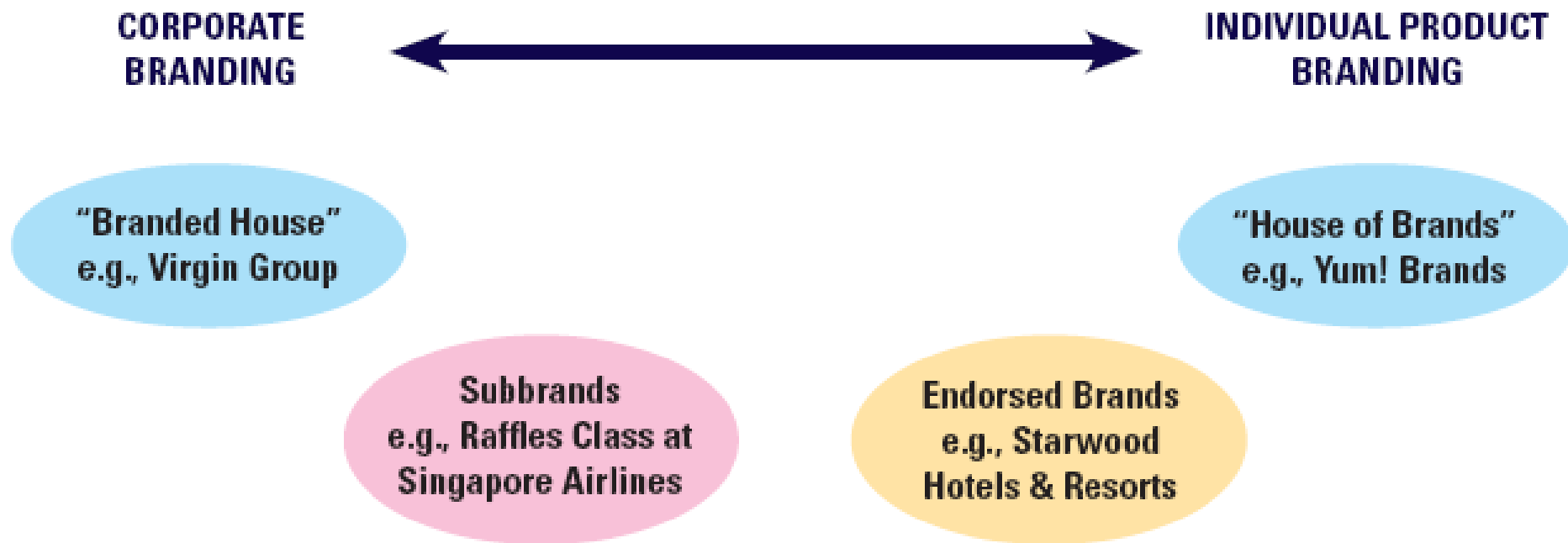
# Product Lines And Brands



- **Most service organizations offer a line of products rather than just a single product.**
- **They may choose among 3 broad alternatives:**
  - **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

(Fig 4.18)



*Source: derived from Aaker and Joachimsthaler*



# Example: British Airways Subbrands



- **British Airways offers seven distinct air travel products**

- **Four intercontinental offerings:**

- **First (deluxe service)**
- **Club World (business class)**
- **World Traveller Plus (premier economy class)**
- **World Traveller (economy class)**

- **Two intra-European offerings:**

- **Club Europe (business class)**
- **Euro-Traveller (economy class)**
- **UK Domestic (economy class between London and major British cities)**

# Offering a Branded Experience (1)



- Branding can be used at both *company* and *product* levels
- Corporate brand:
  - Easily recognized
  - Holds meaning to customers
  - Stands for a particular way of doing business
- Product brand:
  - Helps firm establish mental picture of service in consumers' minds
  - Helps clarify value proposition

## Offering A Branded Experience (2)



***“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 (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

# Achieving Success in Developing New Services



- **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



# Success Factors in New Service Development



- **Market synergy**

- Good fit between new product and firm's image/resources
- Advantage vs. competition in meeting customers' needs
- Strong support from firm during/after launch
- Firm understands customer purchase decision behavior

- **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



# Summary of Chapter 4: Developing Service Concepts (1)



- **Creating services involve:**
  - **Designing core product, supplementary services and delivery process**
- **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**
- **Spectrum of branding alternatives exists for services**
  - **Branded house**
  - **Subbrands**
  - **Endorsed brands**
  - **House of brands**

# Summary of Chapter 4: Developing Service Concepts (2)



- **Seven categories of new services:**
  - **Style changes**
  - **Service improvements**
  - **Supplementary service innovations**
  - **Process-line extensions**
  - **Product-line extensions**
  - **Major process innovations**
  - **Major service innovations**
- **Success factors in new service development:**
  - **Market synergy**
  - **Organizational factors**
  - **Market research factors**