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

Before Visit

Reservation

Parking
Use Room
Porter
Check in
Internet

Meal
Pay TV

ROOM USE

Time Frame of an Overnight Hotel Stay
(real-time service use)

USE GUESTROOM OVERNIGHT

Check out
Internet
Get car

Room service
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

- Information
- Consultation
- Order-Taking
- Hospitality
- Safekeeping
- Core
- Billing
- Exceptions
- Payment

**KEY:**
- Enhancing elements
- Facilitating elements
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
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
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)
- Euro-Traveller (Economy)
- Shuttle
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
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

<table>
<thead>
<tr>
<th>Perform Work Oneself</th>
<th>Own a Physical Good</th>
<th>Rent Use of Physical Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Drive Own Car</td>
<td>▪ Rent a Car and Drive it</td>
<td></td>
</tr>
<tr>
<td>▪ Use Own Computer</td>
<td>▪ Rent Use of Computer</td>
<td></td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Hire Someone to Do Work</th>
<th>Own a Physical Good</th>
<th>Rent Use of Physical Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Hire a Chauffeur to Drive</td>
<td>▪ Hire a Taxi or Limousine</td>
<td></td>
</tr>
<tr>
<td>▪ Hire a Typist to Type</td>
<td>▪ Send Work out to a Secretarial Service</td>
<td></td>
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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
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