

part three

Service Marketing Strategy

In Part III of the book, we focus on some key marketing components of the 8Ps—*product elements, price and other user outlays, and promotion and education*. Figure 111.1 shows how these three elements relate to the service management decision framework.

We've already addressed service product issues in several previous chapters, where we (1) defined service as an act or performance that provides benefits for customers, (2) showed how the core product is surrounded by a group of supplementary service elements, and (3) specified how the nature of the underlying service process shapes the performance and thus the customer's experience. Chapter 7 raises the question: ***What should be the core and supplementary elements of our service product?***

Developing service product strategy requires managers to identify the characteristics of the core product, consider how it should be augmented and enhanced by supplementary services, and determine how best to design the overall service experience. These decisions are shaped by the nature of the market for the service, requiring consideration of what product benefits will create the most value for target customers.

The question ***What price should we charge for our service?*** is addressed in Chapter 8. Identifying the costs to be recovered tends to be a more challenging task for services than for manufactured goods. Service prices may vary by time of day, day of week, or season. And the price actually paid by customers may be a combi-

nation of several different pricing elements like a fixed monthly rate, a usage charge that offers volume discounts, and various supplementary charges. Service managers need to recognize that price is not the only cost incurred by customers. There may be out-of-pocket expenditures associated with purchasing and using the service. Customers may also incur significant nonfinancial outlays and burdens ranging from time costs to physical and mental effort.

Designing a good product and pricing it appropriately will not ensure its success if people are unaware of it. So service firms must address the question: ***How should we communicate what our service has to offer?*** Credibility is an important issue in marketing communication and may depend, in part, on the reputation of the organization, its capabilities, and its brand names. Managers must ask themselves what customers need to know about the service and its benefits. Communication must go beyond mere promotion. Many customers, especially new ones, will need to be educated about the service. Service businesses have to determine what communication methods and media will be most effective in reaching their target audiences. They also need to examine the role that physical evidence can play in creating desired impressions. These issues are discussed in Chapter 9.

Finally, service managers must decide how to differentiate their firm's offerings from those of the competition—which is the essence of positioning strategy. Chapter 10 examines issues

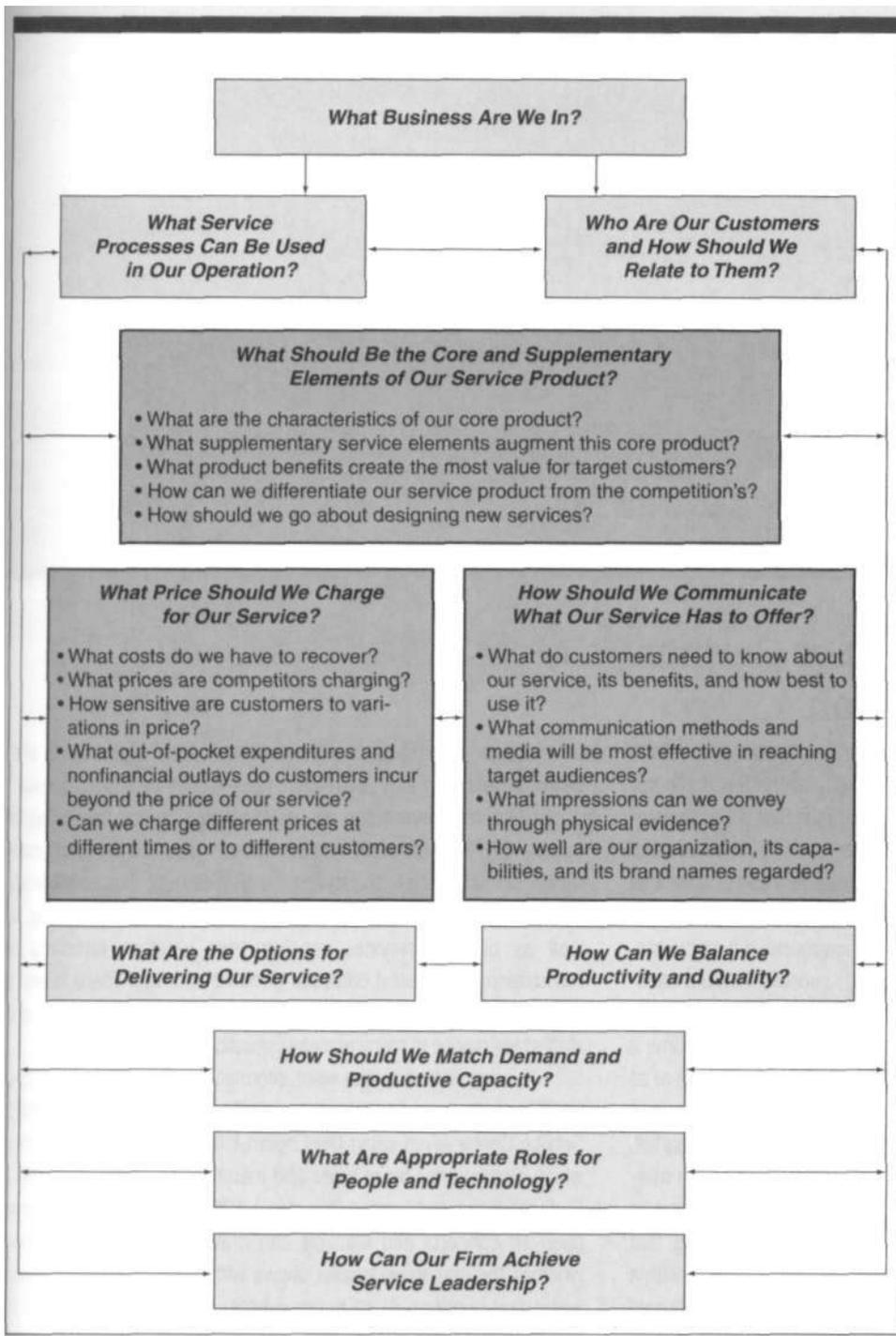


FIGURE III.1
Product, Pricing, and
Communication Decisions

related to linking product, pricing, and communication in a strategic context. This chapter also emphasizes the need to (1) integrate different elements of the 8Ps so that they are mutually reinforcing, (2) ensure that key product attributes relate to the

needs of specific target segments, and (3) create a service package that is differentiated from competitors' offerings in meaningful ways.

The Service Product

The Moose Ts Loose at Germany's Most Popular Radio Station

SWF3 is Germany's most popular radio station, reaching more than two million listeners in southwestern Germany every day. Some say that it's more than radio—it's a lifestyle.¹ Perhaps SWF3's most noteworthy feature is the never-ending production of its comic radio skits. For over 20 years the station has created characters and slogans that have become part of everyday conversation in Germany. These skits, plus investigative journalism and trend-setting music, reflect the station's philosophy and are essential keys to its success. SWF3's trademark, the moose, was chosen because the station is headquartered in Baden-Baden in the famous Black Forest. The animal has become a part of the station's lifestyle, to the extent that quality is referred to as "moose-proof."

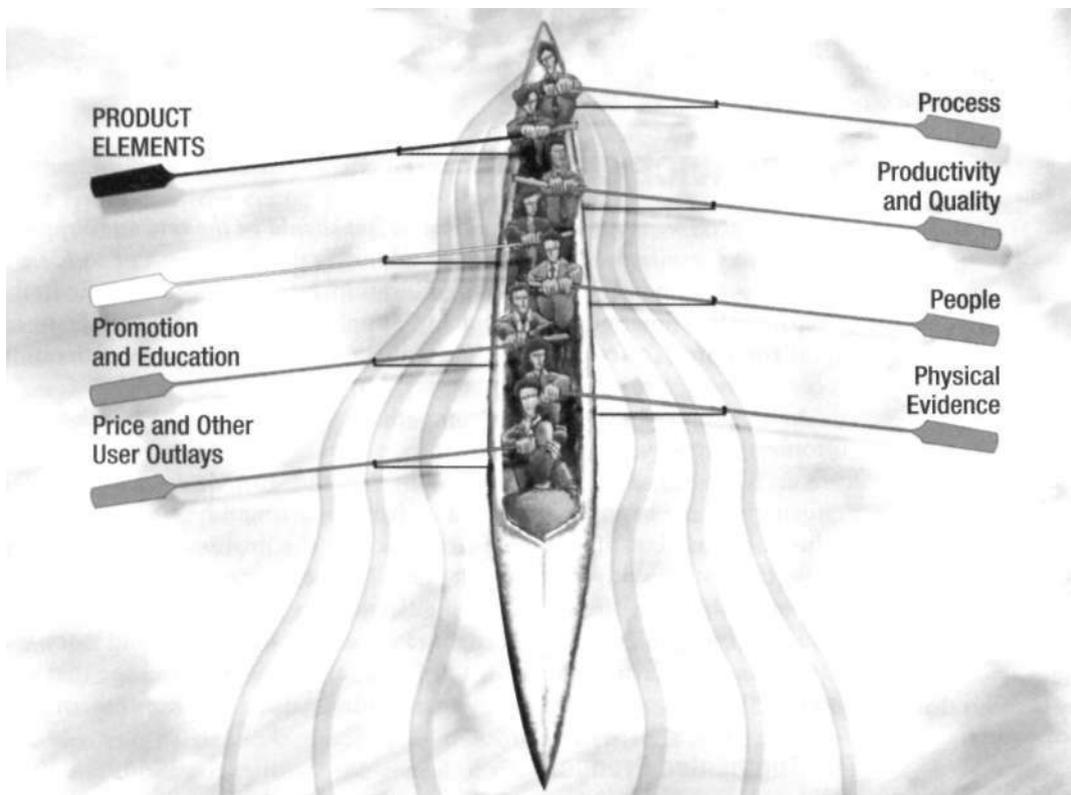
Following deregulation of the German radio broadcasting market, hundreds of new local and national radio stations swamped the market. To compete more effectively and to build greater loyalty among its listeners, SWF3 established a club, now some 100,000 strong, that offers members a variety of financial and nonfinancial benefits with a high emotional and economic value. Holders of the SWF3 Club's gold Wildcard (which costs the equivalent of about \$15) can obtain savings on a variety of purchases.

The Club's popular quarterly publication, *ON*, offers a mix of journalism, music, and humor written by the station's staff, including DJs, editors, and anchors. The members' newsletter, published every six weeks and called *ONFO*, contains details of Club events throughout the year, news from the station, and current ticket and merchan-

dise offers. The Club is also featured on SWF3's Web site, www.swf3.de.

Of course, anyone can access the Web site, and fans living far outside SWF3's broadcast reception area—even on another continent—can still listen to the station live on Web radio. The user-friendly site features information on the station, its staff, and programming, as well as offering services ranging from weather forecasts to *Kinodatenbank* (a useful database of movie reviews). There is also a chat room and a library of pictures of real moose, cartoon moose, and stuffed toy moose in many amusing situations.

To serve listeners who want information about the station, club services, and related activities, the station has instituted the SWF3 Service Center (even using the English-language term as its name), which also handles ticket sales and merchandise orders. The SWF3 Club produces and coproduces about 120 events each year. Large open-air concerts and festivals can draw over 100,000 visitors, whereas the numerous smaller shows with newcomer bands attract just a few hundred. At all major events, a Club Lounge—open to members and event guests only—provides special catering. After the show, rock and pop stars show up for scheduled "unplugged" sessions and interviews. Club members can save up to \$6 off the ticket prices to all major pop and rock concerts in Germany, including concerts of major artists such as the Rolling Stones, Simple Minds, R.E.M., and U2. In addition to tickets for the Club's own productions, members also get offers for preferential tickets to hundreds of events each year.



SWF3 believes that its club program and event sponsorship have helped the station to build high awareness, develop a strong relationship with its listeners, and increase its ratings. In short, the Club has proven to be absolutely "moose-proof."

© Learning Objectives

After reading this chapter, you should be able to

- £> discuss several frameworks for describing the augmented service product
- ^> define the eight petals of the Flower of Service
- ^> distinguish between facilitating and enhancing supplementary services
- ^> complete a service blueprint for different kinds of services
- £> describe the types of information that service blueprints can provide

THE SERVICE OFFERING

In this chapter, we address the question, *What should be the core and supplementary elements of our service product?* The core addresses the customer's need for a basic benefit—such as transportation to a desired location, resolution of a specific health problem, or repair of malfunctioning equipment. Supplementary services facilitate and enhance use of the core service; they range from information, advice, and documentation to problem solving and acts of hospitality.

As an industry matures and competition increases, there's a risk that prospective customers may view competing core products as commodities that are indistinguishable from each other. For instance, many airlines fly the same types of aircraft, all credit cards perform the same basic function, and it's hard to distinguish one hotel bed from another within a given class of service. In these cases, the customer's natural tendency is to choose the option with the cheapest price. Hence, the search for competitive advantage in a mature industry often focuses on differentiating the product through better supplementary services. SWF3, the German radio station in the opening story, uses a mix of financial and nonfinancial benefits to offer a value-oriented package that attracts listeners in the highly competitive radio broadcasting market and keeps them loyal.

augmented product: the core product (a good or a service) plus all supplementary elements that add value for customers.

molecular model: a framework that uses a chemical analogy to describe the structure of service offerings.

The Augmented Product

Marketers use the term **augmented product** to describe the combination of a core product with a bundle of value-adding supplementary elements. Theorists have developed several frameworks to describe augmented products. Lynn Shostack created a **molecular model** (Figure 7.1) that can be applied to either goods or services. The

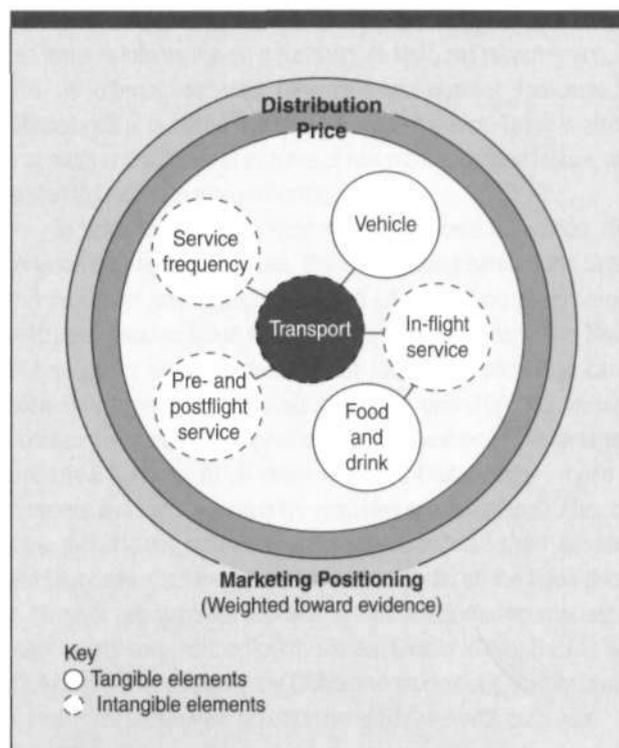


FIGURE 7.1
Shostack's Molecular Model:
Passenger Airline Service

model uses a chemical analogy to help marketers visualize and manage what she termed a "total market entity." At the center is the core benefit that addresses the basic customer need, with links to a series of other service characteristics. Surrounding the molecule is a series of bands representing price, distribution, and market positioning (communication messages). As in chemical formulations, a change in one element may completely alter the nature of the entity.

The molecular model helps identify the tangible and intangible elements involved in service delivery. By highlighting tangible elements, marketers can determine whether their services are tangible-dominant or intangible-dominant. In an airline, for example, the intangible elements include transportation itself, service frequency, and pre-flight, in-flight, and post-flight service. But the aircraft itself and the food and drinks that are served to passengers are all tangible. The more intangible elements exist, the more necessary it is to provide tangible clues about the features and quality of the service.

Eiglier and Langeard developed a different model to describe the augmented product. In their model, the core service is surrounded by a circle containing a series of supplementary services that are specific to that particular product.³ Their approach, like Shostack's, emphasizes the interdependence of the various components. They distinguish between those elements needed to facilitate use of the core service (such as the reception desk at a hotel) and those that enhance the appeal of the core service (such as a fitness center and business services at a hotel). Eiglier and Langeard focus on two issues: (1) whether supplementary services are needed to facilitate use of the core service or simply to add extra appeal; and (2) whether customers should be charged separately for each service element or whether all elements should be bundled under a single price tag.

IDENTIFYING AND CLASSIFYING SUPPLEMENTARY SERVICES

The more we examine different types of core services, the more we find that most of them have many supplementary services in common. Although core products may differ widely, certain supplementary elements—like information, billing, and reservations or order taking—keep recurring.⁴ There are dozens of different supplementary services,

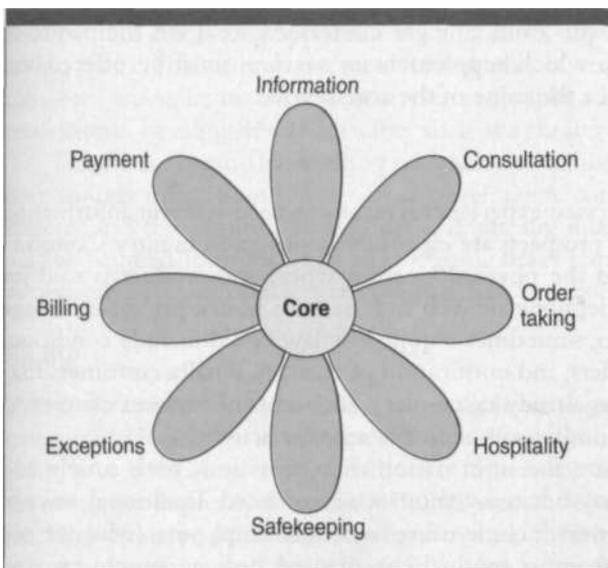


FIGURE 7.2
The Flower of Service: Core Product Surrounded by Clusters of Supplementary Services

TABLE 7.1
Examples of Information
Elements

Directions to service site
Schedules/service hours
Prices
Instructions on using core product/supplementary services
Reminders
Warnings
Conditions of sale/service
Notification of changes
Documentation
Confirmation of reservations
Summaries of account activity
Receipts and tickets

facilitating supplementary services: supplementary services that aid in the use of the core product or are required for service delivery.

enhancing supplementary services: supplementary services that may add extra value for customers.

Flower of Service: a visual framework for understanding the supplementary service elements that surround and add value to the product core.

but almost all of them can be classified into one of the following eight clusters. We have listed them as either **facilitating supplementary services**, which aid in the use of the core product or are required for service delivery, or **enhancing supplementary services**, which add extra value for customers.

Facilitating Services

- *- Information
- >- Order Taking
- >- Billing
- >- Payment

Enhancing Services

- >• Consultation
- 5* Hospitality
- >- Safekeeping
- >• Exceptions

In Figure 7.2, these eight clusters are displayed as petals surrounding the center of a flower—which we call the **Flower of Service**. We've shown them clockwise in the sequence in which they are often likely to be encountered by customers (although this sequence may vary—for instance, payment may have to be made before service is delivered rather than afterwards). In a well-run service organization, the petals and core are fresh and attractive. But a badly designed or poorly executed service is like a flower with missing, wilted, or discolored petals. Even if the core is perfect, the overall flower is unattractive. Think about your own experiences as a customer. When you were dissatisfied with a particular purchase, was it the core that was at fault or was there a problem with one or more of the supplementary service petals? Not every core product is surrounded by supplementary elements from all eight clusters. As we'll see, the nature of the product helps to determine which supplementary services must be offered and which might be added to enhance the value of the core service.

Information

To obtain full value from any service experience, customers need relevant information (Table 7.1). New customers and prospects are especially information hungry. Customer needs may include directions to the physical location where the product is sold (or details of how to order it by telephone or Web site), service hours, prices, and usage instructions. Further information, sometimes required by law, could include conditions of sale and use, warnings, reminders, and notification of changes. Finally, customers may want documentation of what has already taken place, such as confirmation of reservations, receipts and tickets, and monthly summaries of account activity.

Companies should make sure the information they provide is both timely and accurate; if it's not, customers may be annoyed or inconvenienced. Traditional ways of providing information to customers include using front-line employees (who are not always as well informed as customers might like), printed notices, brochures, and

Applications

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

Order Entry

- On-site order fulfillment
- Mail/telephone order placement
- E-mail/Web site order placement

Reservations and Check-in

- Seats
- Tables
- Rooms
- Vehicles or equipment rental
- Professional appointments
- Admission to restricted facilities (e.g., museums, aquariums)

TABLE 7.2

Examples of Order-Taking Elements

instruction books. Other media include videotapes or software-driven tutorials, touch-screen video displays, and menu-driven recorded telephone messages. The most significant recent innovation has been corporate use of Web sites. Companies use the Internet for a wide range of useful applications including the provision of information about train and airline schedules, hotel availability and reservations, the location of specific retail outlets such as restaurants and stores, and service descriptions and prices. Many business logistics companies offer shippers the opportunity to track the movements of their packages—each of which has been assigned a unique identification number.

Order Taking

Once customers are ready to buy, companies must have effective supplementary service processes in place to handle applications, orders, and reservations (Table 7.2). The process of order taking should be polite, fast, and accurate so that customers do not waste time and endure unnecessary mental or physical effort.

Banks, insurance companies, and utilities require prospective customers to go through an application process designed to gather relevant information and to screen out those who do not meet basic enrollment criteria (like a bad credit record or serious health problems). Universities also require prospective students to apply for admission. Reservations (including appointments and check-in) represent a special type of order taking that entitles customers to a defined unit of service at a specific time and location—for example, an airline seat, a restaurant table, a hotel room, time with a qualified professional, or admission to a facility such as a theater or sports arena.

Ticketless systems, based upon telephone or online reservations, provide enormous cost savings for airlines. There is no travel agent commission since customers book directly, and the administrative effort is drastically reduced. A paper ticket at an airline may be handled 15 times while an electronic ticket requires just one step. But some customers are not comfortable with the paperless process.

Billing

Billing is common to almost all services (unless the service is provided free of charge). Inaccurate, illegible, or incomplete bills risk disappointing customers who may, up to that point, have been quite satisfied with their experience. Such failures add insult to injury if the customer is already dissatisfied. Billing procedures range from verbal statements to a machine-displayed price, and from handwritten invoices to elaborate monthly statements of account activity and fees (Table 7.3). Due to recent technological advances, many

T A T I T H 7 1

Examples of Billing Elements

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

forms of billing are computerized to capitalize on the potential for productivity improvements. But computerized billing can sometimes cause service failures, as when an innocent customer tries futilely to contest an inaccurate bill and is met by an escalating sequence of ever-larger bills (compounded interest and penalty charges) accompanied by increasingly threatening, computer-generated letters.

Customers usually expect bills to be clear and informative, and itemized in ways that make it clear how the total was computed. Unexplained or confusing charges do not create a favorable impression of the supplier. Nor does fuzzy printing or illegible handwriting. Laser printers, with their ability to switch fonts and typefaces, to box and to highlight, can produce statements that are not only more legible but also organize information in more useful ways.

Marketing research can help companies design user-friendly bills by identifying what information customers want and how they would like it to be organized. Sometimes billing information can even be used to provide extra value to customers. For example, American Express built its Corporate Card business by offering companies detailed documentation of the spending patterns of individual employees and departments on travel and entertainment. Its Corporate Purchasing Card is particularly useful

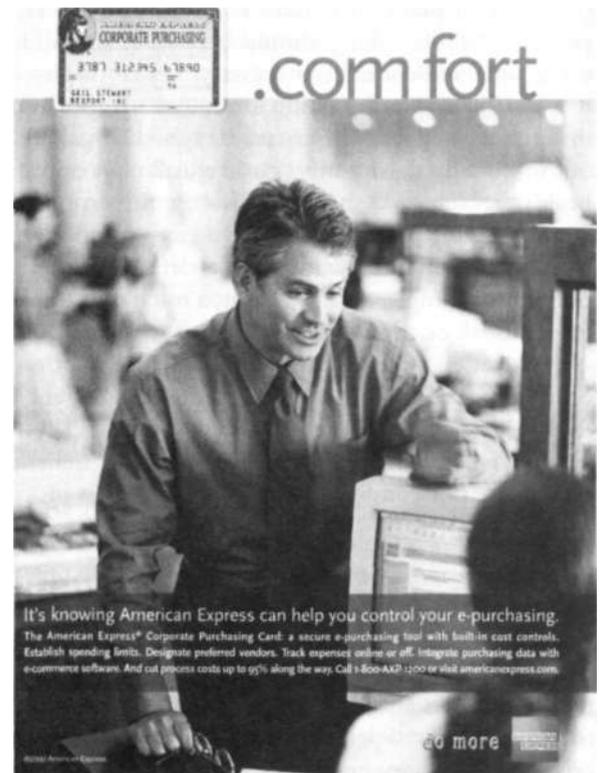


FIGURE 7.3
American Express Promotes the
Benefits of Its Corporate
Purchasing Card

for firms making purchases through the Internet, allowing senior management to establish spending limits, designate preferred vendors, and track expenses (Figure 7.3). Intelligent thinking about customer needs led AmEx to realize that well-organized billing information and control of spending were valuable to its business customers, beyond just the basic requirement of knowing how much to pay.

Busy customers hate to be kept waiting for a bill. Some service providers offer express checkout options, taking customers' credit card details in advance and documenting charges later by mail. Many hotels push bills under guests' doors on the morning of departure showing charges to date; others offer customers the option of previewing their bills before checkout on the TV monitors in their rooms. Some car rental companies use an alternative express checkout procedure. An agent meets customers as they return their cars, checks the odometer and fuel gauge readings, and then prints a bill on the spot using a portable wireless terminal. Accuracy is essential with all of these billing methods. Since customers use the express checkouts to save time, they certainly don't want to waste time later seeking corrections and refunds.

Payment

In most cases, a bill requires the customer to take action on payment. Bank statements are an exception, since they detail charges that have already been deducted from the customer's account. Increasingly, customers expect ease and convenience of payment, including credit, wherever they make their purchases.

A variety of options exists to facilitate customer bill paying (Table 7.4). Self-service payment systems, for instance, require customers to insert coins, banknotes, tokens, or cards in machines. But equipment breakdowns destroy the whole purpose of such a system, so good maintenance and speedy trouble-shooting are essential. Much payment still takes place through hand-to-hand transfers of cash and checks, but credit and debit cards are growing in importance as more and more establishments accept them. Other alternatives include tokens, vouchers, coupons, or prepaid tickets. Firms benefit from prompt payment, since it reduces the amount of accounts receivable.

To ensure that people actually pay what they owe, some services employ control systems, such as ticket collection before entering a movie theater or boarding a train. However, inspectors and security officers must be trained to combine politeness with firmness in performing their jobs, so that honest customers do not feel harassed.

self-service

- Exact change in machine
- Cash in machine with change returned
- Insert prepayment card
- Insert credit/charge/debit card
- Insert token
- Electronic funds transfer
- Mail a check
- Enter credit card number online

Direct to payee or intermediary

- Cash handling and change giving
- Check handling
- Credit/charge/debit card handling
- Coupon redemption
- Tokens, vouchers, etc.

Automatic deduction from financial deposits (e.g., bank charges)

Control and verification

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

T A B L E 7 4

Examples of Payment Elements

TABLE 7.5
Examples of Consultation
Elements

- Advice
- Auditing
- Personal counseling
- Tutoring/training in product usage
- Management or technical consulting

Consultation

Consultation is an enhancing supplementary service that involves a dialog to identify customer requirements and develop a personalized solution. Table 7.5 provides examples of several supplementary services in the consultation category. At its simplest, consultation consists of immediate advice from a knowledgeable service person in response to the request: "What do you suggest?" (For example, you might ask the person who cuts your hair for advice on different hairstyles and products.) Effective consultation requires an understanding of each customer's current situation before suggesting a suitable course of action. Good customer records can be a great help in this respect, particularly if relevant data can be retrieved easily from a remote terminal.

Counseling represents a more subtle approach to consultation. It involves helping customers better understand their situations so that they can come up with their "own" solutions and action programs. This approach can be a particularly valuable supplement to services such as health treatment. Part of the challenge in this situation is to get customers to take a long-term view of their personal situation and to adopt more healthful behaviors, which often involve some initial sacrifice. Diet centers like Weight Watchers use counseling to help customers change their behaviors so that weight loss can be sustained after the initial diet is completed.

Finally, there are more formalized efforts to provide management and technical consulting for corporate customers, such as the "solution selling" associated with marketing expensive industrial equipment and services. The sales engineer researches the business customer's situation and then offers objective advice about what particular package of equipment and systems will yield the best results. Some consulting services are offered free of charge in the hope of making a sale. In other instances the service is "unbundled" and customers are expected to pay for it.

Hospitality

Hospitality-related services should ideally reflect pleasure at meeting new customers and greeting old ones when they return. Companies like Wal-Mart take this concept quite literally, designating a specific employee in each store to welcome customers as they enter. Well-managed businesses try to ensure that their employees treat customers as guests. Courtesy and consideration for customers' needs apply to both face-to-face encounters and telephone interactions (Table 7.6). Hospitality finds its full expression in face-to-face encounters. In some cases, it starts with an offer of transport to and from

TABLE 7.6
Examples of Hospitality
Elements

- Greeting
- Food and beverages
- Toilets and washrooms
- Waiting facilities and amenities
 - Lounges, waiting areas, seating
 - Weather protection
 - Magazines, entertainment, newspapers
- Transport
- Security

the service site, as with courtesy shuttle buses. If customers must wait outdoors before the service can be delivered, then a thoughtful service provider will offer weather protection. If the wait occurs indoors, then guests should have access to a waiting area with seating and entertainment (TV, newspapers, or magazines) to pass the time. Recruiting employees who are naturally warm, welcoming, and considerate for customer-contact jobs also helps to create a hospitable atmosphere.

The quality of a firm's hospitality services can increase or decrease satisfaction with the core product. This is especially true for people-processing services where customers cannot easily leave the service facility. Private hospitals often seek to enhance their hospitality by providing the level of room service—including meals—that might be expected in a good hotel.

Some air transportation companies (like Singapore Airlines) differentiate themselves from their competitors with better meals and more attentive cabin crew. While in-flight hospitality is important, an airline journey also includes passengers' pre- and post-flight experiences. Air travelers have come to expect departure lounges, but British Airways (BA) came up with the novel idea of an arrivals lounge for its terminals at London's Heathrow and Gatwick airports to serve passengers arriving early in the morning after a long, overnight flight from the Americas, Asia, Africa, and Australia. The airline allows holders of first- and business-class tickets or a BA Executive Club gold card (awarded to the airline's most frequent flyers) to use a special lounge where they can take a shower, change, have breakfast, and make phone calls or send faxes before continuing to their final destination. The arrivals lounge provided such a significant competitive advantage for British Airways that other airlines felt obliged to copy it.

Safekeeping

While visiting a service site, customers often want assistance with their personal possessions. In fact, unless certain safekeeping services are provided (like safe and convenient parking for their cars), some customers may not come at all. The list of potential on-site safekeeping services is long. It includes: provision of coatrooms; luggage transport, handling, and storage; safekeeping of valuables; and even child and pet care (Table 7.7).

Caring for possessions customers bring with them

- Childcare
- Pet care
- Parking facilities for vehicles
- Valet parking
- Coatrooms
- Luggage handling
- Storage space
- Safe deposit boxes
- Security personnel

Caring for goods purchased (or rented) by customers

- Packaging
- Pick-up
- Transportation
- Delivery
- Installation
- Inspection and diagnosis
- Cleaning
- Refueling
- Preventive maintenance
- Repairs and renovation
- Upgrade

TABLE 7.7

Examples of Safekeeping Elements

Additional safekeeping services are directed at physical products that customers buy or rent. They include packaging, pick-up and delivery, assembly, installation, cleaning, and inspection. Sometimes there's a charge for these services.

Exceptions

Exceptions involve supplementary services that fall outside the routine of normal service delivery (Table 7.8). Astute businesses anticipate exceptions and develop contingency plans and guidelines in advance. That way, employees will not appear helpless and surprised when customers ask for special assistance. Well-defined procedures make it easier for employees to respond promptly and effectively.

There are several different types of exceptions:

1. *Special requests.* There are many circumstances when a customer may request service that requires a departure from normal operating procedures. Advance requests often relate to personal needs, including childcare, dietary requirements, medical needs, religious observances, and personal disabilities. Such special requests are common in the travel and hospitality industries.
3. *Problem solving.* Situations arise when normal service delivery (or product performance) fails to run smoothly as a result of accidents, delays, equipment failures, or customers experiencing difficulty in using the product.
3. *Handling of complaints /suggestions /compliments.* This activity requires well-defined procedures. It should be easy for customers to express dissatisfaction, offer suggestions for improvement, or pass on compliments, and service providers should be able to make an appropriate response quickly.
4. *Restitution.* Many customers expect to be compensated for serious performance failures. Compensation may take the form of repairs under warranty, legal settlements, refunds, an offer of free service, or other forms of payment-in-kind.

A flexible approach to exceptions is generally a good idea because it reflects responsiveness to customer needs. On the other hand, too many exceptions may

TABLE 7.8
Examples of Exceptions
Elements

Special requests in advance of service delivery

- Children's needs
- Dietary requirements
- Medical or disability needs
- Religious observances
- Deviations from standard operating procedures

Handling special communications

- Complaints
- Compliments
- Suggestions

Problem solving

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

Restitution

- Refunds
- Compensation in kind for unsatisfactory goods and services
- Free repair of defective goods

compromise safety, negatively impact other customers, and overburden employees. Managers need to keep an eye on the level of exception requests. Large numbers of exceptions may indicate a need to reexamine standard service procedures. For instance, if a restaurant constantly receives requests for special vegetarian meals when there are none on the menu, then it may be time to revise the menu to include at least one meatless dish.

Managerial Implications of the Flower of Service

The eight categories of supplementary services that form the Flower of Service provide many options for enhancing the core service product. Most supplementary services do (or should) represent responses to customer needs. As noted earlier, some are facilitating services—like information and reservations—that enable customers to use the core product more effectively. Others are "extras" that enhance the core or even reduce its nonfinancial costs (for example, meals, magazines, and entertainment are hospitality elements that help pass the time). Some elements—notably billing and payment—are imposed by the service provider. But even if not actively desired by the customer, they still form part of the overall service experience. Any badly handled element may negatively affect customers' perceptions of service quality. The "information" and "consultation" petals emphasize the need for education as well as promotion in communicating with service customers.

A key insight from the Flower of Service concept is that different types of core products often share use of similar supplementary elements. As a result, customers may make comparisons across unrelated industries. For instance, "If my stockbroker can give me clear documentation of my account activity, why can't the department store where I shop?" Or "If my favorite airline can take reservations accurately, why can't the French restaurant up the street?" Questions like these suggest that managers should be studying businesses outside their own industries in a search for "best-in-class" performers on specific supplementary services.

Not every core product will be surrounded by a large number of supplementary services from all eight petals. People-processing services tend to be the most demanding in terms of supplementary elements like hospitality, since they involve close (and often extended) interactions with customers. When customers do not visit the service factory, the need for hospitality may be limited to simple courtesies in letters and telecommunications. Possession-processing services sometimes place heavy demands on safekeeping elements, but there may be no need for this particular petal in information-processing services where customers and suppliers deal entirely at arm's length. However, financial services that are provided electronically are an exception to this. Companies must ensure that their customers' intangible financial assets are carefully safeguarded in transactions that occur via phone or the Web.

Companies in the business-to-business sector face many decisions concerning what types of supplementary services to offer. A study of Japanese, American, and European firms found that most simply added layer upon layer of services to their core offerings without knowing what customers really valued.⁵ Managers surveyed in the study indicated that they did not understand which services should be offered to customers as a standard package accompanying the core, and which should be offered as options for an extra charge.

There are no simple rules governing decisions about core products and supplementary services. But managers should continually review their firms' product offerings to make sure they are in line with both market practice and customer needs. A study of plastic surgeons' offices and procedures suggests that poor performance on

supplementary services—notably, unwanted information and inhospitable waiting areas—creates unfavorable initial impressions that may lead patients to cancel surgery or even change doctors (see the box titled "Cosmetic Surgeons' Offices Disappoint Patients").

Customer needs and expectations often vary by segment. Consider the example of Asea Brown Boveri (ABB), a supplier of power plant equipment and maintenance services to utilities companies. ABB's Power Transformers business realized that not all customers needed or wanted the same levels of maintenance service; some utilities prefer to handle maintenance in-house, using their own employees and equipment. Instead of simply supplying a comprehensive maintenance service to all of its customers, ABB now offers different levels of service and prices as part of a negotiated service agreement. It no longer requires customers to have ABB service all aspects of their transformers. Instead, they can choose the combination of supplementary services that they prefer.⁶

Tables 7.1 through 7.8 can be used to identify value-added ways to augment existing core products and design new offerings. The lists provided in these eight tables do not claim to be all encompassing, since some products may require specialized supplementary elements. A company's marketing strategy helps to determine which supplementary services should be included. A strategy of adding benefits to increase customers' perceptions of quality will probably require more supplementary services (and also a higher level of performance on all such elements) than a strategy of competing on low prices. In general, a firm that competes on a low-cost, no-frills basis will require fewer supplementary elements than one that is marketing an expensive, high-value-added product. And firms that offer different grades of service—like first class, business class, and economy class in an airline context—often

Cosmetic Surgeons' Offices Disappoint Patients

It appears that plastic surgeons could use some service marketing training along with their other courses in medical school. That's the diagnosis of two experts, Kate Altork and Douglas Dedo, who did a study of patients' reactions to doctors' offices. They found that many patients will cancel a surgery, change doctors, or refuse to consider future elective surgery if they feel uneasy in the doctor's office. The study results suggested that patients won't usually "doctor-jump" because they don't like the doctor; they defect because they don't like the context of the service experience. The list of common patient dislikes includes: graphic posters of moles and skin cancers decorating office walls; uncomfortable plastic identification bracelets for patients; claustrophobic examining rooms with no windows or current reading material; bathrooms that aren't clearly marked; and not enough wastebaskets and water coolers in the waiting room.

What do patients want? Most requests are surprisingly simple and involve creature comforts like tissues, water coolers, telephones, plants, and bowls of candy in the waiting room and live flower arrangements in the lobby. Patients also want windows in the examining rooms and gowns that wrap around the entire body. They would like to sit on a real chair when they talk to a doctor instead of perching on a stool or examining table. Finally, preoperative patients prefer to be separated from postoperative patients, since they are disturbed by sitting next to someone in the waiting room whose head is enclosed in bandages.

These study results suggest that cosmetic surgery patients would rather visit an office that looks more like a health spa than a hospital ward. By thinking like service marketers, savvy surgeons could look outside their own industries to find ways of creating patient-friendly environments that will complement rather than counteract their technical expertise.

differentiate them by adding extra supplementary services to a common core for each upgrade in service.

Regardless of which supplementary services a firm decides to offer, the elements in each petal should receive the care and attention needed to consistently meet defined service standards. That way the resulting Flower of Service will always have a fresh and appealing appearance rather than looking wilted or disfigured by neglect.

SERVICE DESIGN

Service design is a complex task that requires an understanding of how the core and supplementary services are combined to create a product offering that meets the needs of target customers. For physical objects like new buildings or ships, the design is usually captured on architectural drawings called blueprints (because reproductions have traditionally been printed on special paper where all the drawings and annotations appear in blue). These blueprints show what the product should look like and detail the specifications to which it should conform.

In contrast to the physical architecture of a building, ship, or piece of equipment, services have a largely intangible structure that makes them all the more difficult to plan and execute. However, it is possible to map service processes by defining the steps required to provide the core and supplementary product elements. To do this, we borrow process-mapping techniques from logistics, industrial engineering, decision theory, and computer systems analysis, each of which uses blueprint-like techniques to describe processes involving flows, sequences, relationships, and dependencies.⁷

Blueprinting can be used to document an existing service or design a new service concept. We introduced a simpler version of blueprinting known as flowcharting in Chapter 4. But in that case our focus was limited to front-stage service delivery from the customer's perspective. As you'll see, blueprinting provides more extensive documentation of the activities involved in producing a service.

To develop a blueprint, you need to be able to identify all of the key activities involved in service delivery and production, clarify the sequence, and to specify the linkages between these activities.⁸ **Service blueprints** clarify the interactions between customers and employees and how these are supported by additional activities and systems backstage. As a result, they can facilitate the integration of marketing, operations, and human resource management within a firm. This can be beneficial, since operationally oriented businesses are sometimes so focused on managing backstage activities that they neglect to consider the customer's view of front-stage activities. Accounting firms, for instance, often have elaborately documented procedures and standards for how to conduct an audit properly, but may lack clear standards for when and how to host a client meeting or how to answer the telephone when clients call.

By analyzing blueprints, managers are often able to identify potential **fail points** in the service delivery process where there's a significant risk of problems that can hurt service quality. Knowledge of these fail points enables managers to design procedures to avoid their occurrence or implement effective recovery strategies if necessary. Blueprints can also pinpoint parts of the process where customers commonly have to wait. Standards can then be developed for these activities that include times for completion of a task, maximum wait times in between tasks, and scripts to guide interactions between staff members and customers.

Blueprints of existing services can suggest ideas for product improvements. Managers may spot opportunities to reconfigure delivery systems (perhaps through

service blueprint: a visual map of the sequence of activities required for service delivery that specifies front-stage and backstage elements and the linkages between them.

fail point: a point in a process where there is a significant risk of problems that can damage service quality.

use of new technologies), add or delete specific elements, or reposition the service to appeal to other segments. For example, Canadian Pacific Hotels (which operates hotels under Fairmont and Delta brand names) decided to redesign its hotel services. It had already been successful with conventions, meetings, and group travel but wanted to build greater brand loyalty among business travelers. The company blueprinted the entire "guest experience" from pulling up at the hotel to getting the car keys from the valet. For each encounter, Canadian Pacific defined an expected service level based on customer feedback and created systems to monitor service performance. It also redesigned some aspects of its service processes to provide business guests with more personalized service. The payoff for Canadian Pacific's redesign efforts was a 16-percent increase in its share of business travelers in a single year.

There's no single "best" way to prepare a service blueprint, but it's helpful to adopt a consistent approach within a single organization. In this chapter, we adapt and simplify an approach proposed by Jane Kingman-Brundage.⁹ If desired, any aspect of a blueprint can subsequently be examined in greater detail.

Developing a Service Blueprint

To illustrate blueprinting, let's examine the process of dining at Chez Jean, an upscale restaurant that enhances its core food service with a variety of supplementary services. A typical rule of thumb in full-service restaurants is that the cost of purchasing the food ingredients represents about 20 to 30 percent of the price of the meal. The balance can be seen as the "fees" that the customer is willing to pay for supplementary benefits like renting a table and chairs in a pleasant setting, hiring the services of food preparation experts and their kitchen equipment, and having staff to wait on them both inside and outside the dining room.

Figure 7.4 (shown on pages 156—159) contains a blueprint of the Chez Jean restaurant experience. The key components of the blueprint (reading from top to bottom) are:

1. Definition of standards for each front-stage activity (only a few examples are actually specified here)
2. Physical and other evidence for front-stage activities (specified for all steps)
3. Principal customer actions (illustrated by pictures)
4. Line of interaction
5. Front-stage actions by customer-contact personnel
6. Line of visibility
7. Backstage actions by customer-contact personnel
8. Support processes involving other service personnel
9. Support processes involving information technology

Reading from left to right, the blueprint prescribes the sequence of actions over time. To emphasize the involvement of human actors in the service delivery process, our blueprint uses pictures to illustrate each of the 14 principal steps in which our two customers are involved. The process begins with making a reservation and concludes with departure from the restaurant after the meal. Like many high-contact services involving discrete transactions, the restaurant experience can be divided into three "acts," representing activities that take place before the core product is encountered, delivery of the core product (in this case, the meal), and subsequent activities while still involved with the service provider.

Act I: Starting the Service Experience

Act I begins with the customer making a reservation—an interaction conducted by telephone with an unseen employee. In theatrical terms, the telephone conversation might be likened to a radio drama, with impressions being created by the speed of response, tone of the respondent's voice, and style of the conversation. Once the customers arrive at the restaurant, the "stage" or servicescape includes both the exterior and interior of the restaurant. From this point on, front-stage actions take place in a very visual environment. Restaurants are often quite theatrical in their use of physical evidence like furnishings, decor, uniforms, lighting, and table settings; they may also employ background music to help create an environment that matches their market positioning.

By the time our customers reach their table in the dining room, they have been exposed to several supplementary services, including reservations, valet parking, coat-room, cocktails, and seating. They have also seen a sizeable cast of characters, including five or more contact personnel and many other customers. Standards that are based on a good understanding of guest expectations should be set for each of these service activities. Below the line of visibility, the blueprint identifies key actions that should take place to ensure that each front-stage step is performed in a manner that meets or exceeds customer expectations. These actions include recording reservations, handling customers' coats, delivery and preparation of food, maintenance of facilities and equipment, training and assignment of staff for each task, and use of information technology to access, input, store, and transfer relevant data.

Identifying the Fail Points Running a good restaurant is a complex business and much can go wrong. The most serious fail points, marked by Q , are those that will result in failure to access or enjoy the core product. They involve the reservation (Could the customer get through by phone? Was a table available at the desired time and date? Was the reservation recorded accurately?) and seating (Was a table available when promised?). Since service delivery takes place over time, there is also the possibility of delays between specific actions that will cause customers to wait. Points at which there is a risk of such a wait are identified by a y/Δ . Excessive waits at critical steps in delivery can be classified as fail points, because they will annoy customers and negatively impact perceived service quality.

Every step in the process has some potential for failures and delays. David Maister coined the term OTSU ("opportunity to screw up") to highlight the importance of thinking about all the things that might go wrong in delivering a particular type of service.¹⁰ OTSUs can be very humorous if you're not personally involved. John Cleese made millions laugh with his portrayal of an inept hotel manager in the television series *Fmt'lty Towers*. Chevy Chase and Steve Martin have entertained movie audiences for years by playing customers tortured by inept, rude, or downright cruel service employees. However, customers don't always see the funny side when the joke is on them. That's why it is important for service managers to identify all the possible OTSUs associated with a particular task so they can put together a delivery system that is explicitly designed to avoid these problems.

Setting Service Standards Through both formal research and on-the-job experience, service managers can learn the nature of customer expectations at each step in the process. As discussed in other chapters, customers' expectations range across a spectrum—referred to as the *zone of tolerance*—from desired service (an ideal) to a threshold level of merely adequate service. Service providers should design

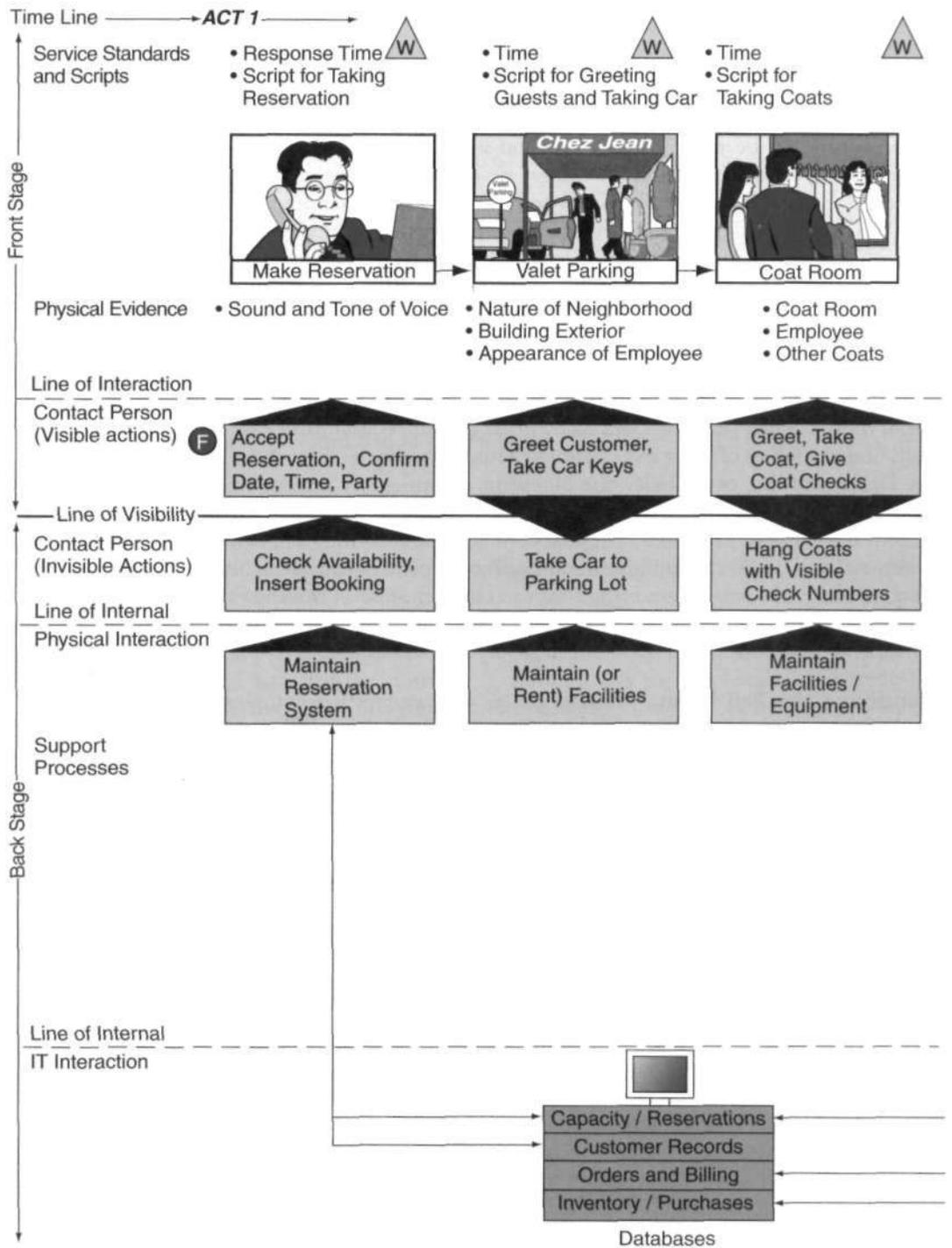
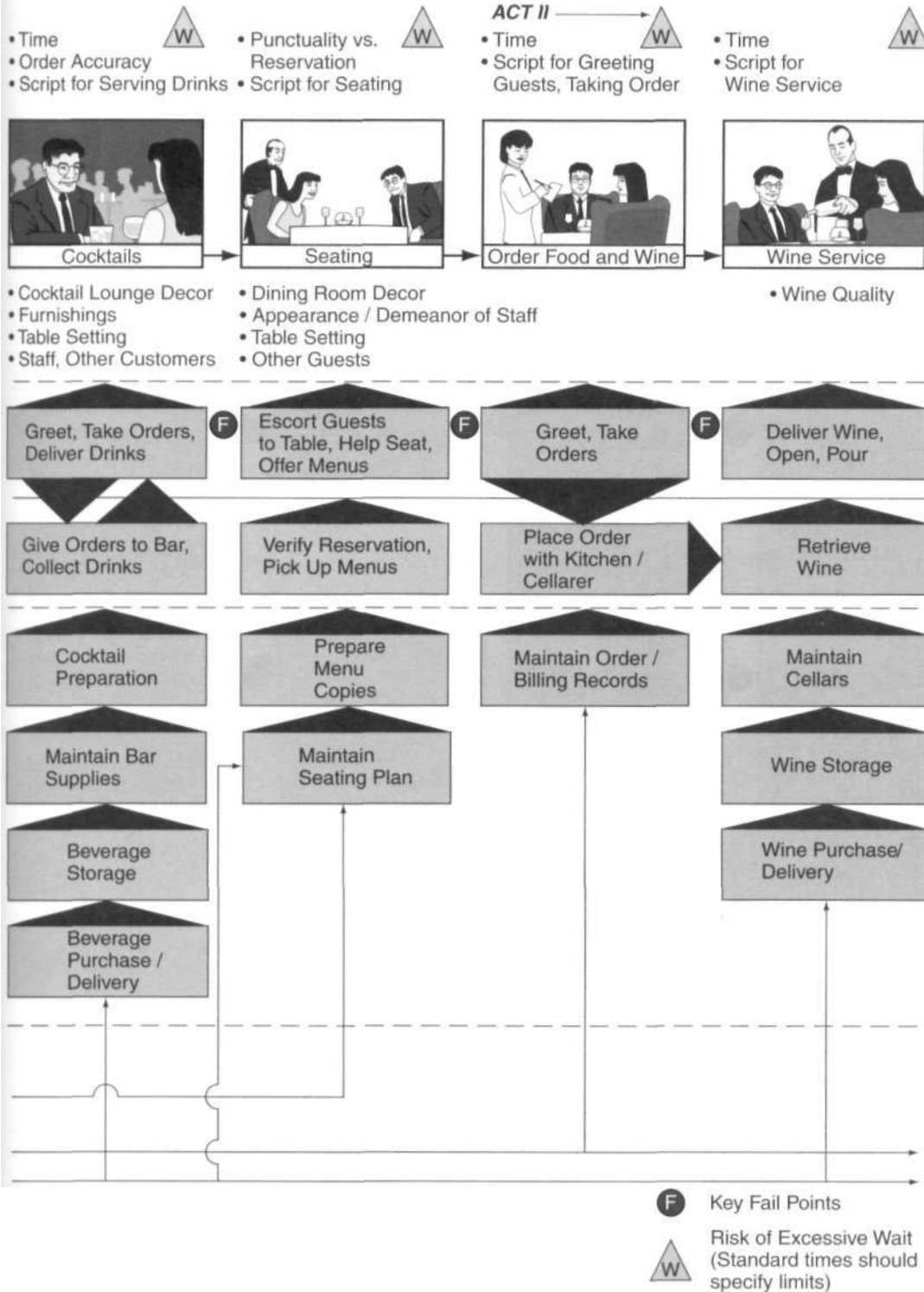


FIGURE 7.4
 Blueprinting a Full-Service
 Restaurant Experience



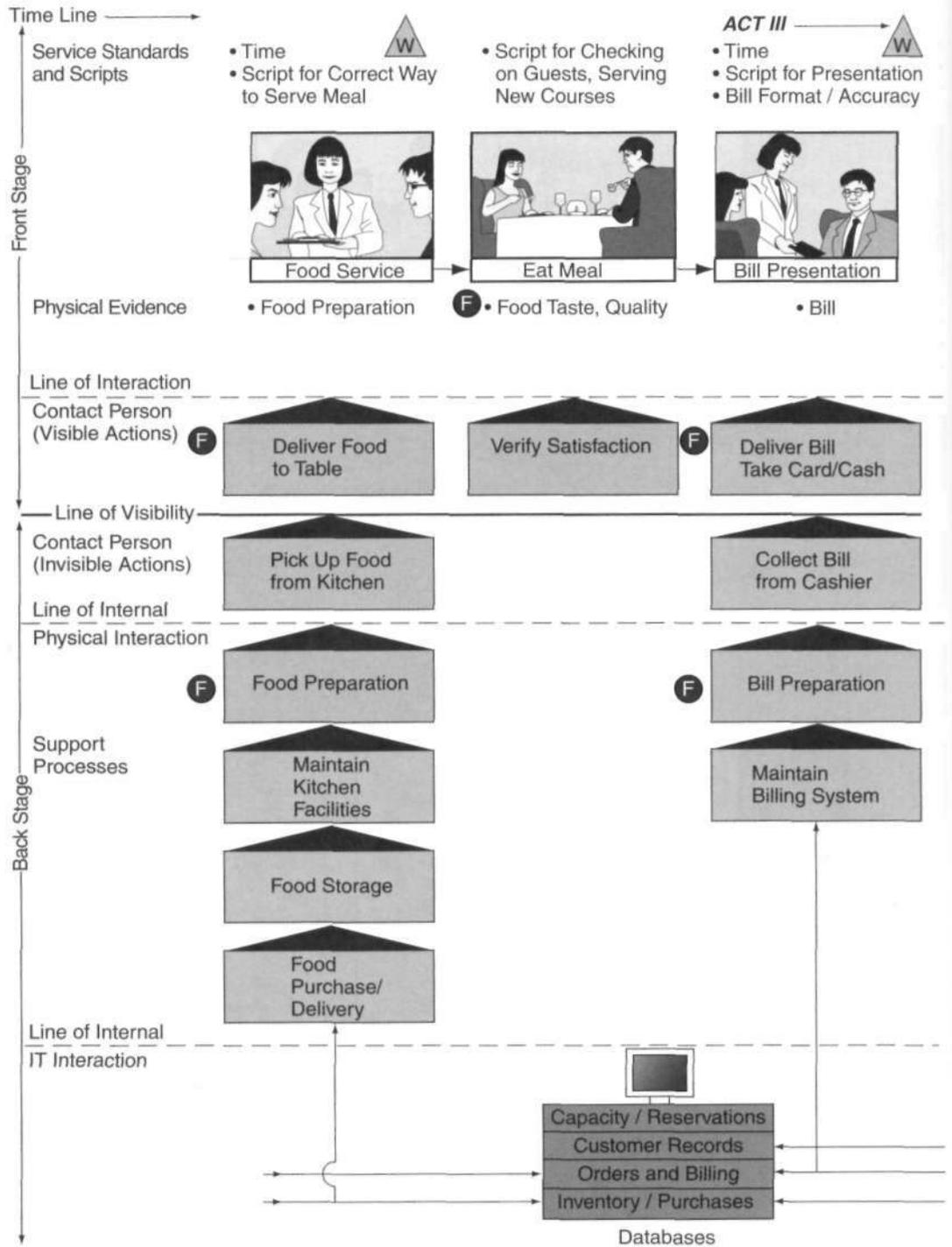
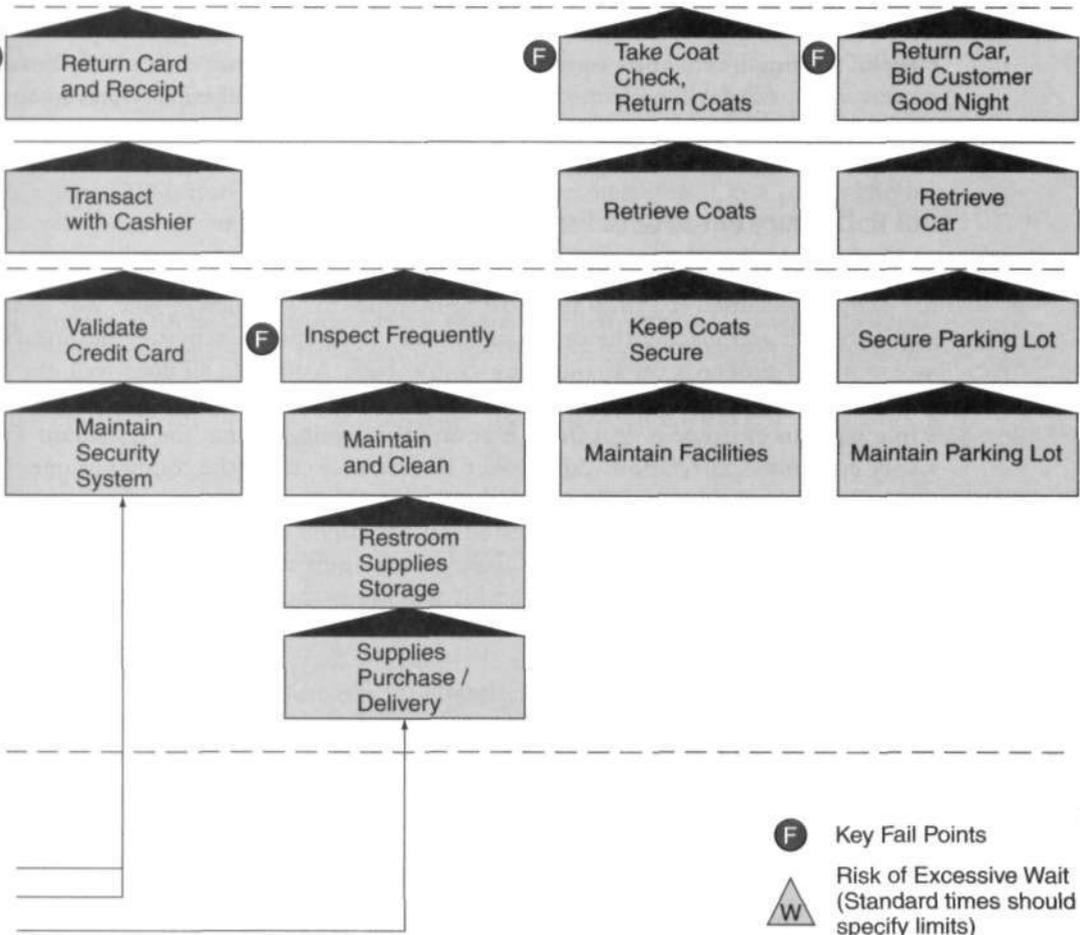
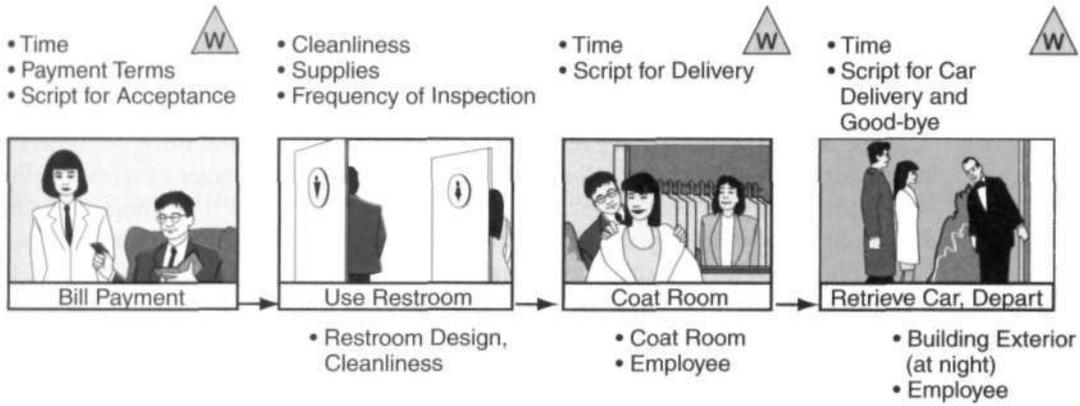


FIGURE 7.4
(continued)



standards for each step that are sufficiently high to satisfy and even delight customers. These standards may include time parameters for specific activities, the script for a technically correct performance, and prescriptions for appropriate employee style and demeanor.

The initial steps of service delivery are particularly important, since customers' first impressions can affect their evaluations of quality during later stages of service delivery. Perceptions of their service experiences tend to be cumulative.¹¹ If things go badly at the outset, customers may simply walk out. Even if they stay, they may be looking for other things that aren't quite right. On the other hand, if the first steps go well, their zones of tolerance may increase so that they are more willing to overlook minor mistakes later in the service performance.

Research by Marriott Hotels has found that four of the five top factors contributing to customer loyalty come into play during the first 10 minutes of service delivery.¹² While initial impressions are critical, performance standards should not be allowed to fall off toward the end of service delivery. Other research findings point to the importance of a strong finish. They suggest that a service encounter that starts poorly but then increases in quality will be better rated than one that starts well but declines to a poor conclusion.

Act II: Delivery of the Core Product

In Act II, our customers are finally about to experience the core service they came for. We've condensed the meal into just four scenes for simplicity's sake. But reviewing the menu and placing the order are actually two separate activities and meal service typically proceeds on a course-by-course basis. Assuming all goes well, the two guests will have an excellent meal, nicely served in a pleasant atmosphere, and perhaps a fine wine to enhance it. But there is always the possibility that the restaurant won't satisfy customer expectations during Act II. The answers to the following questions can help managers identify potential fail points: Is the menu information complete? Is it intelligible? Is everything that's listed on the menu available this evening? Will employees provide explanations and advice in a friendly and noncondescending manner for guests who have questions about specific menu items or are unsure about which wine to order?

After our customers decide on their meals, they place their order with the server, who must then pass on the details to personnel in the kitchen, bar, and billing desk. Mistakes in transmitting information are a frequent cause of quality failures in many organizations. Bad handwriting or unclear verbal requests can lead to delivery of the wrong items altogether—or of the right items incorrectly prepared.

As Act II continues, our customers evaluate not only the quality of food and drink—the most important dimension of all—but also how promptly it is served and the style of service. A disinterested, ingratiating, or overly casual server can still spoil a technically correct performance.

Act III: Concluding the Service Performance

The meal may be over, but much activity is still taking place both front stage and backstage as the service process moves to its close. The core service has now been delivered, and we'll assume that our customers are happily digesting it. Act III should be short. The action in each of the remaining scenes should move smoothly, quickly, and pleasantly, with no shocking surprises at the end. In a North

American environment, most customers' expectations would probably include the following:

- >- An accurate, intelligible bill is presented promptly as soon as customers request it.
- >- Payment is handled politely and expeditiously (with all major credit cards accepted).
- >• Guests are thanked for their patronage and invited to come again.
- >- Customers visiting the restrooms find them clean and properly supplied.
- »- The right coats are promptly retrieved from the coat room.
- >- The customers' car is brought promptly to the door in the same condition as when it was left.
- >- The parking lot attendant thanks them again and bids them a good evening.

But how often do failures at the end of a service intervene to ruin the customers' experience and spoil their good humor? Can you remember situations in which the experience of a nice meal was completely spoiled by one or more failures in concluding the service delivery? Informal research among participants in dozens of executive programs has found that the most commonly cited source of dissatisfaction with restaurants is an inability to get the bill quickly when customers are ready to leave! This seemingly minor OTSU can sour the overall dining experience even if everything else has gone well. (For some suggestions on reducing customer waits, see the box, "In and Out Food Service.")

We chose a restaurant example to illustrate blueprinting because it is a high-contact, people-processing service that is familiar to most readers. However, many possession-processing services (like repair or maintenance) and information-processing services (like insurance or accounting) involve far less contact with customers since much of the action takes place backstage. In these situations, a

In and Out Food Service

When customers are on a tight time budget, making them wait unnecessarily at any point in the process is akin to stealing their time. *Restaurant Hospitality*, a trade magazine for the restaurant industry, offers the following 10 suggestions for serving customers quickly without making them feel like they've been pushed out of the door. As you'll see, some of these tactics involve front-stage processes while others take place backstage—but it is the interaction between front stage and backstage that creates the desired service delivery.

1. Distinguish between patrons who are in a hurry, and those who are not.
2. Design specials that are quick.
3. Guide hurried customers to those specials.
4. Place the quickest, highest-margin menu items either first or last on the menu.
5. Offer dishes that can be prepared ahead of time.
6. Warn customers when they order menu items that will take a lot of time to prepare.
7. Consider short-line buffets, roving carts, and more sandwiches.
8. Offer "wrap"-style sandwiches, which are a quickly prepared, filling meal.
9. Use equipment built for speed, like combination ovens.
10. Eliminate preparation steps that require cooks to stop cooking.

failure committed front stage is likely to represent a higher proportion of the customer's service encounters with a company. Thus it may be viewed even more seriously, because there are fewer subsequent opportunities to create a favorable impression.

REENGINEERING SERVICE PROCESSES

Blueprinting can provide valuable insights by suggesting opportunities to reengineer business processes, improve capacity planning, and better define employee roles. The design of business processes has important implications for the nature and quality of the customer's experience as well as the cost, speed, and productivity with which the desired outcome is achieved.

Improving productivity in services often requires speeding up the overall process, since the cost of creating a service is usually related to how long it takes to deliver each step in the process (plus any dead time between each step). When they are relaxing or being entertained, customers don't mind spending time. But when they are busy, they hate wasting time and often view time expenditures as something to be minimized. Even when customers aren't directly involved in the process, the elapsed time between ordering and receiving a service may be seen as burdensome (for example, waiting for repair of a broken machine, installation of a new computer system, receipt of legal advice, or delivery of a consulting report).

reengineering: the analysis and redesign of business processes to create dramatic performance improvements in such areas as cost, quality, speed, and customers' service experiences.

Reengineering involves analyzing and redesigning business processes to achieve faster and better performance. To reduce the overall time for a process, analysts must identify each step, measure how long it takes, look for opportunities to speed it up (or even eliminate it altogether), and cut out dead time. Running tasks in parallel rather than in sequence is a well-established approach to speed up processes (a simple household example would be to cook the vegetables for a meal while the main dish was in the oven, rather than waiting to cook them until after the main dish was removed).

Examination of business processes sometimes leads to creation of alternative delivery forms that are so radically different as to constitute entirely new service concepts. Options may include eliminating certain supplementary services, adding new ones, transforming personal service into self-service, or rethinking the location where service delivery takes place. Figure 7.5 illustrates this principle with simple flowcharts of four alternative ways to deliver meal service. Take a moment to compare and contrast what happens front stage at a fast-food restaurant, a drive-in restaurant, home delivery, and home catering. And now, for each alternative, think about the implications for backstage activities.

Understanding Employee Roles

Many of the benefits of blueprinting come from the actual nature of the work required to create the charts—especially if employees themselves are directly involved in the task. Participation in mapping specific processes gives employees a clearer picture of their roles and responsibilities and makes them feel like part of a team that is responsible for implementing a shared service vision. Blueprints can also help managers and employees understand the service delivery process as customers experience it.

Blueprinting can also be used to show backstage personnel how their work relates to that of their front-stage colleagues. Backstage personnel provide a series of internal services (represented by each of the vertically stacked boxes in Figure 7.4) that support

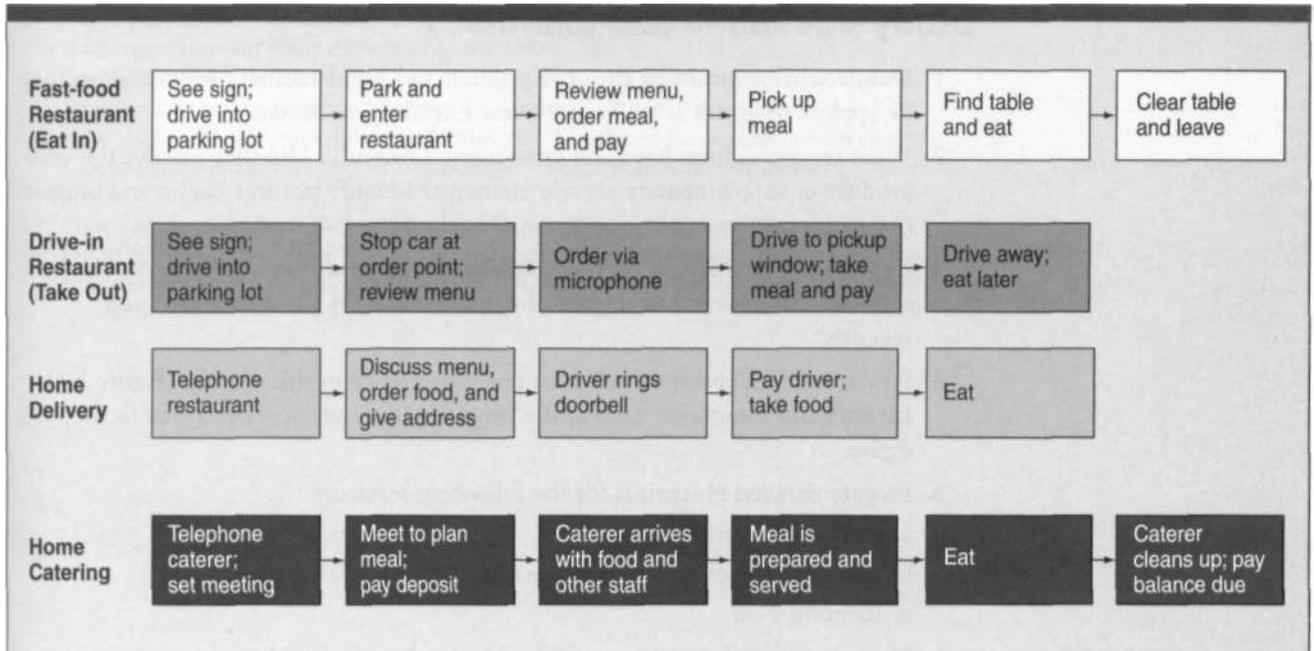


FIGURE 7.5
Flowcharts for Meal Delivery
Scenarios

front-stage activities. If they do their jobs poorly, the employees working backstage may create problems for their coworkers with customer-contact responsibilities. It's not always possible to give either external or internal customers exactly the service that they would like, but blueprinting can be a valuable tool for facilitating discussion about how to improve service processes.

Conclusion

In mature industries, the core service can become a commodity. The search for competitive advantage often centers on improvements to the supplementary services that surround this core. In this chapter, we grouped supplementary services into eight categories, circling the core like the petals of a flower. They are categorized as either facilitating or enhancing supplementary services. Facilitating supplementary services aid in the use of the core product or are required for service delivery, while enhancing supplementary services add extra value for customers.

Designing the overall service experience is a complex task that requires an understanding of how the core and supplementary services should be combined and sequenced to create a product offering that meets the needs of target customers. Blueprinting is a structured procedure for analyzing existing services and planning new ones. In particular, it enables us to define the different components of the augmented service, to examine the sequence in which they are delivered, and to identify potential fail points. We also gain insights into what is happening to the customer at each stage. Supporting each front-stage action are backstage activities involving people, supporting equipment and facilities, and information (often stored in a databank). As we discussed, a poorly organized backstage can lead to failures that are experienced by the customer.

Study Questions and Exercises

1. Define what is meant by the core product and supplementary services. Can they be applied to goods as well as services? Explain your answer.
2. What service failures have you encountered recently? Did they involve the core product or supplementary service elements? Identify possible causes and suggest how such failures might be prevented in the future.
3. Explain the distinction between enhancing and facilitating supplementary services. Give several examples of each for services that you have used recently.
4. Review the blueprint of the restaurant experience in this chapter (Figure 7.4). Identify and categorize each of the supplementary services described in the figure.
5. Prepare detailed blueprints for the following services:
 - a. Repair of a damaged bicycle
 - b. Applying to college or graduate school
 - c. Renting a car
6. Describe the different types of information that service blueprints can provide.

Endnotes

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4. The "Flower of Service" concept presented in this section was first introduced in Christopher H. Lovelock, "Cultivating the Flower of Service: New Ways of Looking at Core and Supplementary Services," in P. Eiglier and E. Langeard (eds.) *Marketing, Operations, and Human Resources: Insights into Services* (Aix-en-Provence, France: IAE, Universite d'Aix-Marseille III, 1992), 296-316.
5. James C. Anderson and James A. Narus, "Capturing the Value of Supplementary Services," *Harvard Business Review*, 73 (January-February 1995): 75-83.
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7. See G. Lynn Shostack, "Understanding Services through Blueprinting" in T. Schwartz et al., *Advances in Services Marketing and Management* (Greenwich, CT: JAI Press, 1992), 75-90.
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11. See for example, Eric J. Arnould and Linda L. Price, "River Magic: Extraordinary Experience and the Extended Service Encounter," *Journal of Consumer Research* 20 (June 1993): 24-25; Nick Johns and Phil Tyas, "Customer Perceptions of Service Operations: Gestalt, Incident or Mythology?" *The Service Industries Journal* 17 (July 1997): 474-488.
12. "How Marriott Makes a Great First Impression," *The Service Edge* 6 (May 1993): 5.
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