

part four

Service Delivery Issues

In Part IV, we address the task of how to deliver service products to the customer. As shown in Figure IV. 1, managers face three key questions: ***What are the options for delivering our service? How can we balance productivity and quality concerns? How should we match demand and productive capacity?*** Service delivery issues have been dominated traditionally by operations. But progressive service organizations also include their marketing and human resource managers in these types of decisions.

Before they can make decisions on service delivery (the topic of Chapter 11), managers need to ask, *What physical and electronic channels can we use?* Service delivery is closely linked to the choice of service process—whether the service involves the physical person of the customer, a tangible possession, or some form of information. In high-contact services customers encounter employees and physical evidence of facilities. Even when physical channels are necessary to deliver the core service, information-based supplementary services may be delivered electronically. It's possible to deliver some information-based services entirely through automated, low-contact systems. *Is it feasible to shift from high-contact to low-contact delivery?* If so, *Should we offer customers a choice?* Abandoning existing high-contact delivery options is not necessarily a viable strategy. Some customers may not like the low-contact delivery alternatives, others may prefer having access to both physical and electronic delivery channels.

Another key service delivery consideration is: *When and where should our service be available?* Success in services increasingly depends on offering customers convenience. Electronic delivery through the Internet has the advantage of being accessible 24 hours a day, 7 days a week, from a location of the customer's choosing. Finally, managers need to address the issue of *What options exist for using third-party intermediaries?* Often a case can be made for subcontracting some aspects of service delivery to intermediaries who possess special expertise and may have better access to customers.

The challenge of balancing productivity and quality presents an ongoing headache for businesses. It can lead to conflict between marketers—who are advocates of customer satisfaction—and operations managers, who are concerned with efficiency and cost control. As we note in earlier chapters, customers' perceptions of service quality tend to be linked to their expectations of the service, raising the questions: *What quality improvements are needed to meet or exceed customer expectations? How can we reduce operating costs without spoiling the appeal of our service?* We address these and other quality and productivity issues in Chapter 12.

Making optimal use of available capacity is one way to improve productivity. However, many service businesses face wide swings in demand that result in wasted capacity when demand is low and lost business when it's too high. Chapter 13 addresses the question, *What strategies can we employ to match demand and capacity?* To

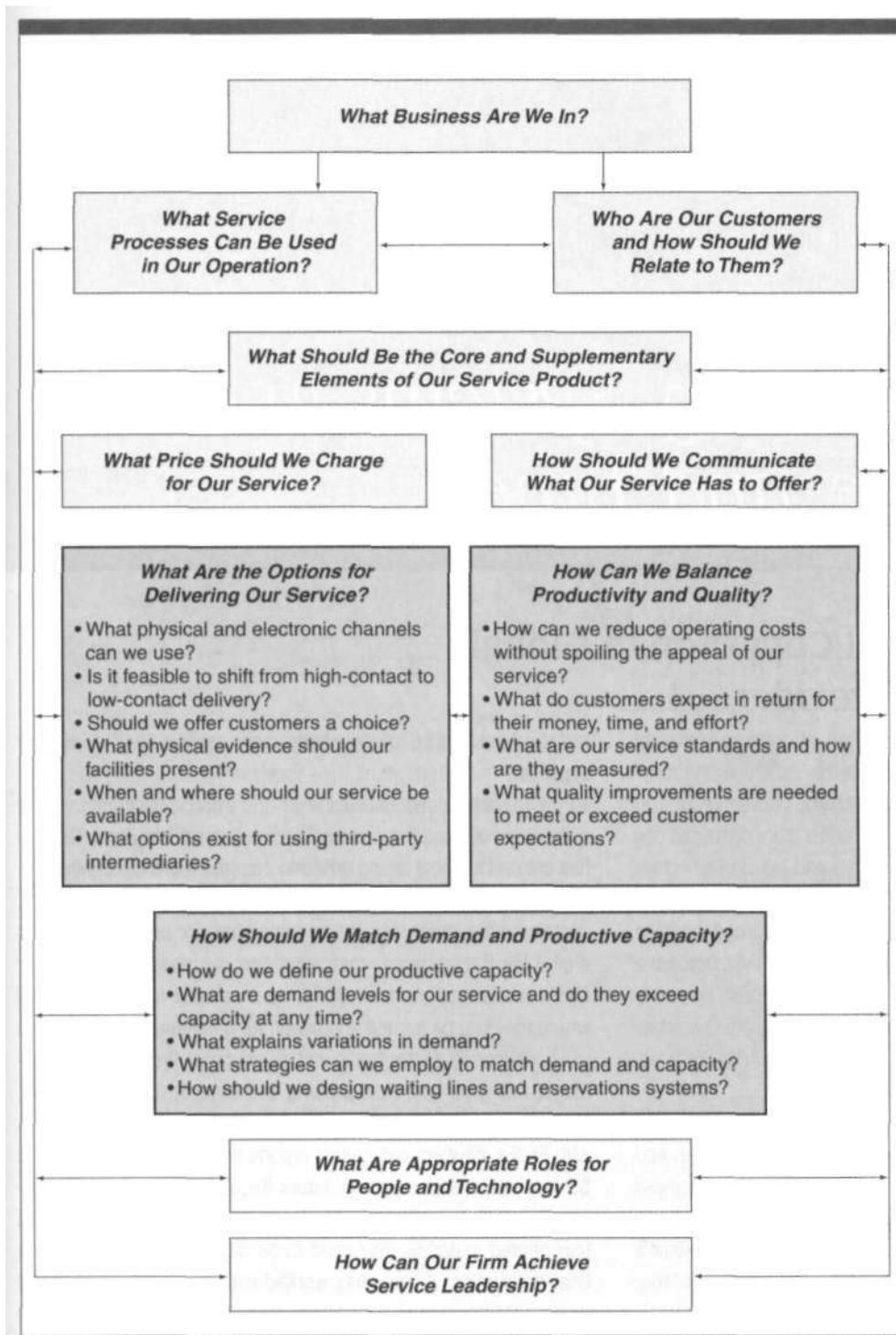


FIGURE IV. 1
Decisions Involving Service Delivery

resolve this challenge, strategists need to understand both the nature of productive capacity and the factors that underlie periodic variations in demand. Both marketing and operational strategies can be employed. Issues relating to waiting lines and reservations are discussed in Chapter 14. Reservations systems provide one way

of balancing demand against available capacity, since they allow customers to obtain a commitment for service delivery at a specific time in the future. Another approach is to develop a strategy for managing waiting lines, designing them with reference to the anticipated volume of business and the customer mix.

Creating Delivery Systems in Place, Cyberspace, and Time

Kinko's: From Local Copyshop to Global Business Service Provider

In 1970, 22-year-old Paul Orfalea, just out of college, borrowed enough money to open a photocopy shop in Isla Vista, near the campus of the University of California at Santa Barbara.¹ Covering just 100 square feet (less than 10 square meters), the tiny store contained one copy machine and also sold film processing and felt-tip highlighter pens. Orfalea, the son of Lebanese immigrants, called the store Kinko's after the nickname given to him by his college buddies because of his curly reddish hair. Thirty years later, Kinko's boasted a chain of almost one thousand printing and copying stores, operating 24 hours a day from coast to coast in the United States, plus branches in Canada, Britain, the Netherlands, Australia, United Arab Emirates, and three Asian countries.

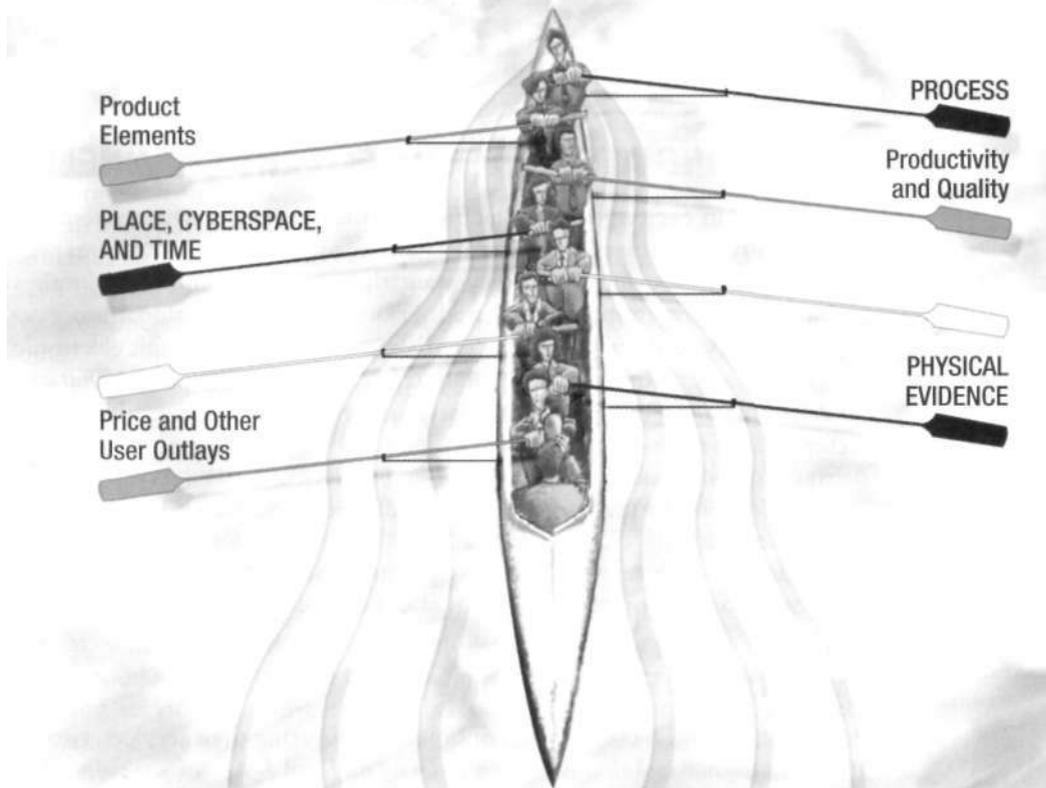
Kinko's offers ways to change companies' existing working procedures through services that include productivity consultation and outsourcing of document management. It also appeals to business travelers who may need to develop and deliver presentations, reports, and proposals far from their home offices. (A few years ago, Kinko's even ran a national advertising campaign positioning the firm as "Your Branch Office.")

Technological innovations in IT and printing have revolutionized Kinko's business model and created new methods of working for both the company and its customers. At its stores, Kinko's customers can print in color in almost any size, bind their documents in many different ways, send faxes, and work on in-house computers. Many locations also offer videoconferencing technology. The company provides an array of other services and products, including

rentals of conference rooms, notary public service, and sale of office supplies.

Kinko's now describes itself as "the world's leading provider of visual communications services and document copying." The firm has created a global online network, employing broadband technology to link all its locations. Using Kinkonet, the firm's online service, customers can order supplies or submit files for printing. Thanks to digital file transmission, customers can compose reports in, say, Minneapolis and transmit them electronically to, say, Montreal where they can be printed and bound for a meeting. This procedure is an alternative to the traditional approach of first creating documents and graphics, then printing and binding them, and finally, shipping them physically to another location. Through a partnership with FedEx, couriers can deliver reports to local addresses in some 55 markets within only four hours. Recognizing that not all customers are in a position to transfer document files by modem and that printed materials may need to be delivered physically to their final destination, Kinko's has worked with FedEx to install "World Service Centers" at selected branches. These centers offer a full complement of express shipping solutions and provide access to late pickups.

In 2000, the firm announced creation of a separate company, Kinkos.com, combining its existing Internet-based activities with newly acquired e-business expertise, online design tools, and proprietary technology. Kinkos.com aimed to become a leading online resource for the small office/home office (SOHO) market, offering



customers 24/7 access to expert advice, powerful online tools, and the worldwide Kinkos' network—all from their own desktops. Kinkos.com has a clicks-and-mortar relationship with the store-based company, using the latter's physical locations for in-store marketing, customer acquisition, and physical distribution.

© Learning Objectives

After reading this chapter, you should be able to

- £> distinguish between physical and electronic channels of delivery
- £> recognize that delivery systems must address issues of where, when, and how service is to be delivered to customers
- ^> define the three different types of service delivery channels
- £> understand the role of physical evidence and servicescapes in service delivery
- ^> explain the role of technology in enhancing the speed, convenience, and productivity of service delivery systems
- £> describe the role of intermediaries in service delivery

EVALUATING ALTERNATIVE DELIVERY CHANNELS

This is both an exciting and challenging time for managers who are responsible for service delivery. Customers are demanding more convenience, and they expect services to be delivered where and when they want them. As the Kinko's example shows, new technologies allow information-based services (and informational processes related to supplementary services) to be delivered almost anywhere through electronic channels.

This chapter explores a key question in service management: *What are the options for delivering our service?* In many cases, customers are no longer obliged to visit service factories as the concept of going to a physical place for service delivery gives way to delivery in cyberspace for information-based services.

In addition to moving from factory- to electronic-based delivery, progressive firms are coming up with different formats for face-to-face delivery in new locations. Such innovations include services like massage clinics on airport concourses and Wells Fargo's tiny bank branches occupying booths at the end of supermarket aisles.

Physical versus Electronic Delivery

As service managers consider the options for delivering their services, two key questions are, *What physical and electronic channels can we use?* and *Is it feasible to switch from high-contact to low-contact delivery?* While goods require physical distribution, those services that are information based can be delivered through either electronic or physical channels. Many of the supplementary services surrounding both intangible and tangible core products can now be delivered electronically. Even service businesses that involve physical core products—like retailing and repair—are shifting delivery of many supplementary services to the Web, closing some of their physical branches, and moving to low-contact strategies for interacting with customers. As you can see in Figure 11.1, five of the eight petals of

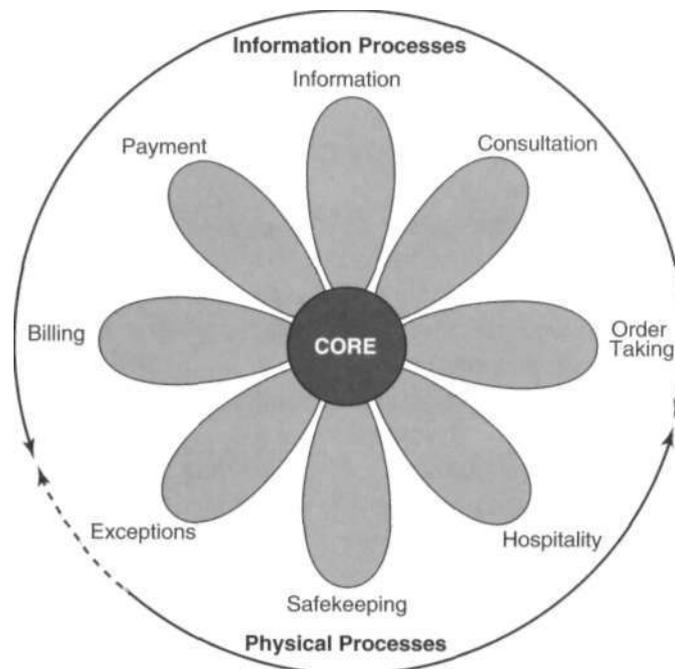


FIGURE 11.1

Information and Physical Processes Within the Augmented Service Product

the augmented service product are information-based processes that can be delivered either physically or electronically. Consultation, order taking, billing, payment, and information can all be transmitted in the digital code of computers.

The growth of electronic channels is creating a fundamental change in the nature of marketing. Customers are moving from face-to-face contacts with suppliers in fixed locations that only operate during fixed hours to remote contacts in **cyberspace**, "anywhere, anytime."

More and more services now fall into the category of arm's length relationships rather than face-to-face interactions. As Rayport and Sviokla note:

The traditional marketplace interaction between physical seller and physical buyer has been eliminated. In fact, everything about this new type of transaction—what we call a marketplace transaction—is different from what happens in the marketplace.

The Marketplace Companies doing business in the **marketplace** need a physical environment in which customers can get together with suppliers to inspect merchandise or conduct service-related business. We can't get rid of the marketplace for people-processing services, because these services require customers to enter the physical environment of a service factory. In some instances, customers don't want to get rid of the marketplace because it is the physical and social environment that attracts them, like in destination resorts.

The Marketspace Companies doing business in the **marketspace** may be able to replace contact with physical objects with information about those objects (as in a paper or electronic catalog). For information-based services the context in which the transaction occurs is also different, with on-screen (or on-telephone) contact replacing physical contact; customers may also have the option to replace service from contact personnel by self-service through intelligent interactive systems.

A desire to save time has been one of the driving forces behind these trends, reflecting customer preferences for ever faster and more convenient service. A second factor has been interest on the part of some customers in obtaining easily accessible information about the goods and services that they buy. Ironically, electronic contacts may bring customers "closer" to manufacturers and service suppliers. Managers are beginning to realize that the opportunity to develop increased knowledge of customers may be as important a reason for doing business in the marketspace as seeking cost savings by eliminating physical contact. Conducting dialog with customers about their needs and preferences (information that can be stored in databases for future reference) can lead to delivery of better and more customized service—which may create greater value and therefore command higher prices.

Designing the Service Delivery Process

The nature of the service both influences and is shaped by distribution strategy. In high-contact services, the design of the physical environment and the way in which customer-contact personnel perform their tasks help create a distinctive identity for a service firm, shape the nature of customers' experiences, and enhance both productivity and quality. However, low-contact services are often designed specifically with improved productivity in mind. More and more frequently, customers deliver these services themselves through self-service technologies rather than interacting directly with service employees.

The design of service delivery systems should start with the core product and then be expanded to include the delivery of each of the supplementary services. Managers

cyberspace: a term used to describe the absence of a definable physical location where electronic transactions or communications occur.

marketplace: a physical location where suppliers and customers meet to do business.

marketspace: a virtual location in cyberspace, made possible by telephone and Internet linkages, where customers and suppliers conduct business electronically.

responsible for developing service delivery strategy will need to address the following marketing and operations issues:

- *- *What should be the nature of contact between the service provider and its customers!* Should customers come to the provider or the other way around? Or should the two parties deal at arm's length, using mail and telecommunications (ranging from telephone to the Web)?
- >- *What should be the sequencing of the various steps in the service delivery process!* Both operational and customer preferences need to be taken into account in making this decision. The blueprinting methods we discussed in Chapter 7 can be used in exploring alternative delivery sequences.
- >- *Where (location) and when (scheduling) should these steps take place!* The choice today is not only between different physical locations but also between physical space and cyberspace.
- >- *What should be the nature of customer involvement at each step!* If customers are required to be present, should they be served in batches or individually? Alternatively, should they serve themselves?
- >- *What imagery and atmosphere should the service delivery environment (or servicescape) try to create?* For a high-contact service, this concerns decisions on: facility design and layout; staff uniforms, appearance, and attitudes; the type of furnishings and equipment installed; and the use of music, lighting, and decor.
- ^*Should a service firm take responsibility for the entire delivery process or delegate some steps to intermediaries?* Some supplementary services, like information and reservations, can be handled very efficiently and cost-effectively by intermediaries.
- >>- *What should be the serving protocol?* Should the firm operate a reservations system or work on a first-come, first-served basis, using queuing when necessary? Or should a priority system be established for certain types of customers (like many firms do for their larger industrial accounts or airlines do for their gold card frequent flyers)?

OPTIONS FOR SERVICE DELIVERY

Delivering a service to customers involves answering the questions "where?" "when?" and "how?" Service marketing strategy must address place and time, paying at least as much attention to speed, scheduling, and the potential for electronic access in cyberspace issues as to the more traditional notion of physical location. The nature of the delivery system has a powerful impact on the customer's experience with the service product.

Service delivery strategy is shaped by several factors, including the nature of the business, the service processes employed, the types of customers targeted, and productivity and quality concerns. A key question is whether the nature of the service or the firm's positioning strategy requires customers to be in direct physical contact **with** its personnel, equipment, and facilities. If so, do customers need to visit the service organization's facilities or should personnel and equipment be sent to the customer's site? Alternatively, can transactions between provider and customer be completed at arm's length through either telecommunications or modern physical channels of distribution? A second issue concerns the firm's strategy in terms of distribution sites. Should it maintain just a single outlet or serve customers through multiple outlets at different locations? The possible options, combining both type of contact and number of sites, can be seen in Table 11.1.

TABLE 11.1
Method of Service Delivery

Nature of Interaction Between Customer and Service Organization	Availability of Service Outlets	
	Single site	Multiple Sites
Customer goes to service organization	Theater Barbershop	Bus service Fast-food chain
Service organization comes to customer	House painting Mobile car wash	Mail delivery Auto club road service
Customer and service organization transact at arm's length (mail or electronic communications)	Credit card company Local TV station	Broadcast network Telephone company

Should we offer customers a choice? Just because a service can be delivered through low-contact channels doesn't necessarily mean it should be. Astute marketers recognize that preferences may vary from one customer to another and even from one situation to another for the same customer. Like Kinko's, many companies offer their customers a choice of **delivery channels**. Depending on the nature of the service, options may include serving a customer at a firm's own retail sites, delegating service delivery to an intermediary or franchisee, coming to the customer's house or place of business, and (in certain types of services) serving the customer at a distance through physical or electronic channels.

delivery channels: the means by which a service firm (sometimes assisted by intermediaries) delivers one or more product elements to its customers.

Customers Visit the Service Site

The convenience of service factory locations and operational schedules becomes an important marketing issue when customers are required to be physically present throughout service delivery—or even just to initiate and terminate the transaction. **Retail gravity models** and other elaborate statistical techniques are sometimes used to help decide how to locate businesses relative to where prospective customers live or work. Traffic and pedestrian counts are used to establish how many prospective customers pass certain locations each day. Construction of a new highway or the introduction of new rail or bus service may have a significant effect on travel patterns and, in turn, determine which sites are now more desirable and which, less so.

retail gravity model: a mathematical approach to retail site selection that involves calculating the geographic center of gravity for the target population and then locating a facility to optimize customers' ease of access.

Providers Come to the Customer

For some types of services, the supplier visits the customer. This is, of course, essential when the target of the service is some immovable physical object like a building that needs cleaning, a large machine that needs repair, a house that requires pest-control treatment, or a garden that needs landscaping. Since it's more expensive and time consuming for service personnel and their equipment to travel to the customer than vice versa, the trend has been away from this approach where possible (few doctors make house calls nowadays!).

There may still be a profitable niche in serving customers who are willing to pay a premium price for the convenience of receiving personal visits from service providers. One young veterinarian has built her business around house calls to sick pets. She found that customers were glad to pay extra for a service that not only saves them time but is also less stressful for the pet than waiting in a crowded veterinary clinic, full of other animals and their worried owners. In remote areas such as Alaska or Canada's Northwest Territory, service providers may have to fly to their customers.

Australia is famous for its Royal Flying Doctor Service, in which physicians fly to make house calls at remote farms and stations. Other more recently established services that travel to the customer include mobile car washing and windshield repair, office and in-home catering, and made-to-measure tailoring services for business people. Some Web-based businesses were developed around the concept of home delivery of retail goods in markets where this type of service delivery had not previously been a viable option.^b

Aggreko: A Different Kind of Rental Company

You probably think of electricity as coming from a distant power station and of air conditioning and heating as fixed installations. So how would you deal with the following challenges? Luciano Pavarotti is giving an open-air concert in Miiinster, Germany, and the organizers require an uninterruptible source of electrical power for the duration of the concert, independent of the local electricity supply. A tropical cyclone has devastated the small mining town of Pannawonica in Western Australia, destroying everything in its path, including power lines, and it's urgent that electrical power be restored as soon as possible so that the town and its infrastructure can be rebuilt. In Amsterdam, organizers of the World Championship Indoor Windsurfing competition need power for 27 wind turbines to create strong winds across a huge indoor pool. A U.S. Navy submarine needs a shore-based source of power when it spends time in a remote Norwegian port. Sri Lanka faces an acute shortage of electricity-generating capability when water levels fall dangerously low at the country's major hydroelectric dams due to insufficient monsoon rains two years in a row. A large, power-generating plant in Oklahoma urgently seeks temporary capacity to replace one of its cooling towers, destroyed yesterday in a tornado. And the organizers of the 2002 Winter Olympics outside Salt Lake City need a temporary, portable electricity generating and distribution system with a capacity equivalent to that required to power a city of two million people.

These are all challenges faced and met by a company called Aggreko, which describes itself as "The World Leader in Utility Rental Solutions." Aggreko operates from more than 110 depots in 20 countries around the world. It rents a "fleet" of mobile electricity generators, oil-free air compressors, and temperature control devices ranging from water chillers and industrial air conditioners to giant heaters and dehumidifiers.

Aggreko's customer base is dominated by large companies and government agencies. Although a lot of its business comes

from needs that are foreseen far in advance—such as the Olympics and other major events, backup operations during factory maintenance, or a package of services during the filming of a James Bond movie—the firm is also poised to resolve problems arising unexpectedly from emergencies.

Much of the firm's rental equipment is contained in sound-proofed, boxlike structures that can be shipped anywhere in the world and coupled together to create the specific type and level of electrical power output or climate-control capability required by the client. Consultation, installation, and ongoing technical support add value to the core service. Says a company brochure "Emphasis is placed on solving customer problems rather than just renting equipment." Some customers have a clear idea in advance of their needs, others require advice on how to develop innovative, cost-effective solutions to what may be unique problems, and still others are desperate to restore power that has been lost due to an emergency. In the last-mentioned instance, speed is of the essence since downtime can be extremely expensive and in some cases lives may depend on the promptness of Aggreko's response.

Delivering service requires that Aggreko ship its equipment to the customer's site, so that the needed power or temperature control can be available at the right place and time. Following the Pannawonica cyclone, Aggreko's Western Australia team swung into action, rapidly organizing the dispatch of some 30 generators ranging in size from 60 to 750 kVA, plus cabling, refueling tankers, and other equipment. The generators were transported by means of four "road trains," each comprising a giant tractor unit hauling three 40-foot (13m) trailers. A full infrastructure team of technicians and additional equipment were flown in on two Hercules aircraft. The Aggreko technicians remained on site for six weeks, providing 24-hour service while the town was being rebuilt.

Service providers are more likely to visit corporate customers at their premises than individuals in their homes, reflecting the greater volume of business purchased and the trend toward outsourcing of activities such as cleaning and security. Many organizations need short-term rentals of equipment and labor for special purposes or to boost productive capacity during busy periods. Aggreko, an international company that rents generating and cooling equipment, is prepared to go anywhere in the world—and often at very short notice (see the box, "Aggreko: A Different Kind of Rental Company").

Arm's Length Transactions

Dealing with a service organization through **arm's length transactions** may mean that a customer never sees the service facilities or meets service personnel. As a result, service encounters tend to be fewer in number and involve telephone, mail, fax, Web sites, or e-mail.⁶ The outcome of using the service remains very important to the customer, but much of the service delivery process is hidden. Credit cards and insurance are examples of services that can be requested and delivered by mail or telecommunications. Small equipment repair can often be handled by shipping the item to a maintenance facility. Companies like Stamps.com sell software, and Web-based services enable business customers to send first-class, priority, and express mail right from their office computers. Mailing and shipping histories can be tracked online.

Any information-based product can be delivered almost instantaneously through telecommunication channels to any point in the globe where a suitable reception terminal exists. As a result, physical logistics services, such as FedEx, UPS, and national postal services, now find themselves competing with telecommunications services. When we were writing this book, for instance, we had a choice of mail or courier services for physical shipments of the chapters in either paper or disk form. We could also fax the materials, feeding in the pages one sheet at a time. But by using e-mail, we were able to transmit chapters electronically from one computer to another, with the option of printing them out at the receiving end. In fact, we used all three methods, depending on the nature of the page (hand-drawn images and ads were faxed or mailed), time pressures, and the need for backup in the form of files saved on disks.

arm's length transactions: interactions between customers and service suppliers in which mail or telecommunications minimize the need to meet face-to-face.

PHYSICAL EVIDENCE AND THE SERVICESCAPE

When customers visit a service facility, they expect it to be user friendly—easy to find, simple to use, and staffed by helpful personnel. Operations specialists tend to focus on the functional aspects of facility design, with an emphasis on productive use of resources and safe, efficient delivery of services. But marketers also care about the impression that service facilities and personnel make on customers and how they contribute to the overall service experience. In many instances, it's the nature of that experience that differentiates one service provider from its competitors. So marketers must address the question: *What physical evidence should our facilities present?* When you go to a service factory and interact directly with employees, you're exposed to more compelling evidence than when service is delivered at your home (or work locations) or through electronic channels.

Physical evidence—one of the 8Ps of integrated service management—refers, first, to the tangible elements encountered by customers in the service delivery environment and, second, to the tangible metaphors used in symbols, slogans, or advertising messages. For example, the clean streets, colorful signage, and costumed employees of theme parks like Disneyland and Legoland contribute to the sense of fun and excitement that visitors encounter on arrival and throughout the service experience. Alternatively, consider the office of a successful professional business—an investment bank or a law

firm—where wood-paneled walls, leather-bound books, and antique furnishings are used to create an elegant and impressive atmosphere. Marketers use strategically managed physical evidence in three ways:

1. As an attention-creating medium, differentiating their company's services from those of competitors and attracting customers from target segments
2. As a message-creating medium, using symbolic cues to communicate with the intended audience about the distinctive nature and quality of the service experience
3. As an effect-creating medium, employing colors, textures, sounds, scents, and spatial design to create or heighten an appetite for certain goods, services, or experiences



FIGURE 11.2
Distinctive Servicescapes,
from Table Settings to
Furniture and Room Design,
Create Different Customer
Expectations of These Two
Restaurants

Antique stores provide a nice example of how carefully crafted physical evidence can become an important effect-creating medium. As Philip Kotler noted:

Many antique dealers also make use of "organizational chaos" as an atmospheric principle for selling their wares. The buyer enters the store and sees a few nice pieces and a considerable amount of junk. The nice pieces are randomly scattered in different parts of the store. The dealer gives the impression, through his prices and his talk, that he doesn't really know values. The buyer therefore browses quite systematically, hoping to spot an undiscovered Old Master hidden among the dusty canvases of third-rate artists. He ends up buying something that he regards as value. Little does he know that the whole atmosphere has been arranged to create a sense of hidden treasures.¹

Take a look at Figure 11.2, which shows the interiors of two restaurants. Imagine that you have just entered one of these two dining rooms and examine the physical evidence each picture provides. How is each establishment positioning itself within the restaurant industry? What sort of meal experience can you expect? Which clues do you use in making your judgments?

Resort hotels provide another illustration of how physical evidence can be used as both an attention-creating and an effect-creating medium. Club Med's villages, designed to create a totally carefree atmosphere, may have provided the original inspiration for "get-away" holiday environments. The new destination resorts are not only far more luxurious than Club Med but also draw inspiration from theme park approaches to creating fantasy environments both inside and outside. Perhaps the most extreme examples come from Las Vegas. Facing competition from numerous casinos in other locations, Las Vegas has been trying to reposition itself from a purely adult destination, once described in a London newspaper as "the electric Sodom and Gomorrah," to a somewhat more wholesome resort appealing to families and convention organizers as well. The gambling is still there, of course, but many of the recently built (or rebuilt) hotels have been transformed into visually striking entertainment centers that feature such attractions as erupting "volcanoes," mock sea battles, and even reproductions of Venice and its canals.

Servicescape Design

The term *servicescape* describes the style and appearance of the physical surroundings where customers and service providers interact.⁸ Since servicescapes can create powerful positive or negative impressions, it is important to manage them effectively (especially in high-contact environments). Consider these examples:

- >• Airlines employ corporate design consultants to help them differentiate the appearance of their aircraft and employees from those of competitors. Although the flight attendants from many airlines look interchangeable in their black or navy blue outfits, some have distinctive uniforms that identify them as employees of uniquely positioned carriers like Singapore Airlines or Southwest Airlines. And most airlines have specific color combinations and logos that appear consistently in the interior decor of the plane, the napkins, the snack food packaging, etc.
- >- Restaurants often seem to pay more attention to design than to the food they offer. Furnishings, pictures, real or fake antiques, carpeting, lighting, and choice of live or background music all seek to reinforce a desired look and style that may or may not be related to the cuisine. Some restaurants follow themes in both decor and food service. For example, the menus for the Outback

Steakhouse chain list hearty foods and beverages with distinctive names, and the settings are designed to make guests feel like they have just taken a journey "down under" to Australia for a meal.

- *- Many expensive hotels have become architectural statements. Some occupy classic buildings, lovingly restored at huge expense to a far higher level of luxury than ever known in the past, and using antique furnishings and rugs to reinforce their "old world" style. Modern hotels sometimes feature dramatic atriums in which wall-mounted elevators splash down in fountains. Resort hotels invest enormous sums to plant and maintain exotic gardens on their grounds.

As in a theater, servicescape elements like scenery, lighting, music and other sounds, special effects, and the appearance of the actors (employees) and audience members (customers) all serve to create an atmosphere in which the service performance takes place. In certain types of businesses, servicescapes are enhanced by judicious use of sounds, smells, and the textures of physical surfaces. Where food and drink are served, of course, taste is also highly relevant.

For first-time customers in particular, the servicescape plays an important role in helping frame expectations about both the style and quality of service to be provided. Because it's hard to evaluate many service performances in advance (or even after service delivery), customers seek pre-purchase clues about service quality. Hence, first impressions are important. But as customers move beyond the initial contact point, con-

Let's Go Shopping (Maybe at Your Store)

5 CART [RATING]:

- f Personnel
- Pf Store Services
- Pf Creativity
- Pf Selection/Inventory
- f Overall Store Atmosphere

"Let's Go Shopping" is a regular feature filed by "mystery shoppers" who visit grocery stores across the country to report on how stores measure up in terms of personnel, services, merchandise, selection, and overall store atmosphere.

Loblaws, #029 650 Dupont St. & Christie, Toronto

This chain-operated store's entrance was filled with tantalizing aromas from Movenpick: one of the many kiosks lining the store. The store's most unique asset is its one-stop, "under one roof"

shopping experience. The Internet, in-store pharmacy, cleaners, wine store, bank machine, etc. prove to be successful additions to the store's business. Everything is done on a larger scale. This is evident in the large aisles and large signage throughout the store and increased SKUs. To enhance the mood of the environment; music, lighting, and odors circulate to create customer comfort.

There were 14 cash registers in front of the store, five of which were open. The registers were completely computerized visual systems with scanning. Cashiers provide a choice between paper and plastic bags for those customers who are concerned with recycling. Shopping carts are clean and accessible at the store front with a dollar deposit. There were sufficient cart locations outside the store to attain/dispose of carts.

The pricing on the shelf after a random audit was accurate and highly visible. The overall impression of the shelves was that they were well stocked and faced with a large variety of SKUs. President's Choice, the store's private label products, are aggressively promoted with signage at shelf and throughout the store.

tinued exposure and experiences combine to create a more detailed impression. Consider the impressions recorded by a mystery shopper appraising a Toronto supermarket for a grocery trade magazine—see the boxed story "Let's Go Shopping (Maybe at Your Store)."

Many servicescapes are purely functional. Firms that seek to convey the impression of cut-price service do so by locating in inexpensive neighborhoods, occupying buildings with a simple (even warehouse-like) appearance, minimizing wasteful use of space, and dressing their employees in practical, inexpensive uniforms like the bright red aprons worn at Home Depot. However, servicescapes don't always shape customer perceptions and behavior in ways intended by their creators, because customers often make creative use of physical spaces and objects to suit their own purposes.⁹ For instance, business people (or college students) may appropriate a restaurant table for use as a temporary desk, with papers spread around and even a laptop computer and mobile phone competing for space with food and beverages. Smart designers keep an eye open for such trends, which often underlie creation of a new service concept like the cyber cafe.

PLACE, CYBERSPACE, AND TIME DECISIONS

How should service managers make decisions in response to the question: *When and where should our service be available?* The answer is likely to reflect customer needs and expectations, competitive activity, and the nature of the service operation. Some distribution strategies may be more appropriate for supplementary service elements than for the

In-Store Marketing

The promotional weekly flyers, store signs, and in-store features were promoted with large signage throughout the store. There was no loyalty card program or coupon clipping here, but there are store coupons available on the shelf. Similar to most stores they did accept manufacturers coupons. The primary displays included a variety of feature/advertised items, which are promoted on well-stocked displays throughout the store. The incremental displays were attractively done and promoted impulse purchases while the aisles are still clear and shoppable. While taking advantage of some good displays to cross promote, there were some obvious missed opportunities. The store has special racking for promoting some products, especially in the seasonal aisle. Overall the impression of in-store promotion was strong.

Staff

Customer service is definitely not a thing of the past in this store. The staff was extremely customer-focused and seemed to enjoy the work environment. They were well groomed with clean/pressed

uniforms. The knowledge of store staff when asked about an item was good. The shopper was directed to the appropriate location but was not taken directly over.

Full of color, the produce section was clean and well maintained. The deli section was also clean and the meat/salads were well stocked. The seafood section filled with the catch of the day looked fresh and inviting. The meat/butcher counter was acceptable. The staff was knowledgeable and helpful in all departments.

General Impressions

The store's biggest strength is its one-stop shopping benefits. For a taste of international flair one must definitely shop the aisles. The one disappointment of the store was the meat department. The labels indicating specific meats were stained and the overall appearance of the department was unclean.

This store's overall ranking is outstanding. Shopping should be an excellent experience thus endorsing future loyalty to a store.

OVERALL (RATING): S ' I f H ' S f

core product itself. Perhaps you're willing to go to a particular location at a specific time to attend a sporting or entertainment event. But you probably want greater flexibility and convenience when making an advance reservation. If so, you may expect the reservations service to be open for extended hours, to offer booking and credit card payment by phone, and to deliver tickets by mail, fax, or e-mail.

Locational Issues in Service Delivery

Although customer convenience is important, operational requirements set tight constraints for some services. Airports, for instance, are often inconveniently located relative to travelers' homes, offices, or destinations. Because of noise and environmental factors, finding suitable sites for new airports is a very difficult task. (A governor of Massachusetts was once asked what would be an acceptable location for construction of a second airport to serve Boston. He thought for a moment and then responded: "Nebraska!") As a result, airport sites are often far from the city centers to which many passengers wish to travel, and the only way to make them less inconvenient is to install high-speed rail links like the rail service to Hong Kong's new airport. A different type of location constraint is imposed by other geographic factors like terrain and climate. Obviously, ski resorts are limited to mountain environments while ocean beach resorts must be on the coast.

The need for economies of scale may also restrict choice of locations. Major hospitals consolidate many different health-care services—even a medical school—at a single, very large facility. Customers requiring complex, in-patient treatment must come to this service factory rather than being treated at home—although an ambulance (or even a helicopter) can be sent to pick them up if they are seriously ill or injured.

Some multi-site service firms have the option of creating service factories on a very small scale at locations that are close to where prospective customers live or work. For example, Taco Bell has become famous for its innovative K-Minus strategy, which involves creating restaurants without kitchens. All food preparation is done in a central commissary, with prepared meals then being shipped to restaurants and mobile food carts, where they are reheated prior to serving.¹⁰

Self-service electronic kiosks can deliver a variety of information-based services from many different locations (see box). The number of Internet kiosks is projected to increase from 151,000 worldwide in 2001 to 446,000 by 2006; over the same period, sales through kiosks are forecast to rise from \$200 million to \$6.5 billion.¹¹

Another service delivery trend involves locating retail and other services close to gas stations and public transportation stops or in bus, rail, and air terminals. Major oil companies are developing chains of retail stores to complement the fuel pumps at their service stations, thus offering customers the convenience of one-stop shopping for fuel, auto supplies, food, and household products. Truck stops on intercity highways include laundromats, bathrooms, ATMs, fax machines, Internet access, and restaurants in addition to a variety of vehicle maintenance and repair services.

In one of the most interesting new retailing developments, airport terminals are being transformed from nondescript ticketing and waiting areas into vibrant shopping malls. Two pioneers of this trend were London's Heathrow and Gatwick airports. Seeking to capitalize on its expertise, the airport operator, a company called BAA (which operates seven British airports), established a U.S. subsidiary and won a 15-year master-developer contract to design, build, lease, and manage the Pittsburgh Airmail, the nation's first custom-built airport retail complex. Pittsburgh is U.S. Airways' major hub and most of its passengers are domestic travelers. Goods and services available at the Airmail range from tasty take-out sandwiches for passengers who don't expect a meal on their flight to \$15 massages for tired travelers with aching backs. Sales per passenger at Pittsburgh increased from \$2.40 in 1992 to \$8.10 in

2000; sales per square foot of retailing space are now four to five times those of typical U.S. regional shopping centers.¹² BAA also has operating contracts at Harrisburg, Indianapolis, Newark, and Boston, as well as at Mauritius, Naples (Italy), and two Australian airports.

The underlying theme of modern service delivery is one of offering customers more choices in terms of where service is delivered. Some people want face-to-face contact, others like telephone contact with a human being, and still others prefer the greater anonymity and control offered by more impersonal options like self-service equipment and the Internet. Many customers also want the ability to switch between delivery alternatives depending on the specific situation at hand.

Electronic Kiosks Deliver Both Commercial and Government Services'

The Internet is everywhere when it comes to service delivery. Electronic kiosks are turning up in such locations as amusement parks, campgrounds, bars, car washes, shopping centers, universities, libraries, and health clubs—all offering self-service options to new users and technology-savvy customers alike. Consider the following examples:

1. Simple health checks can be administered through self-service equipment. In the United States, Web-enabled kiosks that measure blood pressure, heart rate, weight, and body mass have been installed in Kmart stores across the country. They can also provide useful health information. And in Britain, the National Health Service has purchased 153 interactive touchscreen kiosks and monitoring services for installation in pharmacies, supermarkets, post offices, shopping malls, and holiday resorts.
2. Electronic kiosks offering Internet access are becoming common in airports, shopping malls, and other public locations. Some provide a combination of services, including an ATM for banking services, a pre-paid phone card dispenser, and access to the Web. Some communication technology vendors believe that Internet terminals will eventually become as ubiquitous as conventional ATM machines are now.
3. Several countries have installed kiosks as a way to ensure that the Internet is more widely accessible to their citizens. For example, Jamaica has installed Internet kiosks in post offices and other public locations in an attempt to provide affordable access and encourage Web usage in a nation where computer ownership remains far lower than in affluent, industrialized countries.
4. Government agencies see electronic kiosks as a way to cut administrative budgets and provide 24-hour service in convenient locations. From using kiosks to dispense information about public services, tourist attractions, and transit routes and schedules, some public agencies are now moving to automate a variety of transactions that previously required intervention by a public employee. Consumers touch the screen to choose from a menu of services, which can be programmed in multiple languages. They can pay parking tickets, speeding fines, and property taxes, obtain dog licenses and copies of birth certificates, and order license plates for their cars. In Utah, five "Quickcourt" kiosks assist people in filling out paperwork for no-fault divorces—a process that takes about 45 minutes, requires no lawyer, and costs only \$10. Quickcourt also computes child support payments. In San Antonio, Texas, kiosks sell permits to hold garage sales and print out information on property taxes and city job openings. Users can also view pictures of animals available for adoption at the city pound. In New York, customers can look up certain kinds of records (like landlords' histories of building code violations) and swipe their credit cards through a slot to pay municipal taxes, license fees, or speeding fines.

Source: "Lifeclinic Announces Rollout of Web-Enabled Blood Pressure Kiosks to Kmart Stores Across the Country," www.spacelabs.com, 13 November 2000; "Action MultiMedia Secures NHS Direct Contract," www.kiosks.org, 1 November 2000; Yukari Iwatani, "From Bars to Car Washes Internet is Everywhere," *Yahoo!News*, 11 September 2000; "Internet Kiosks to be Placed in Post Offices and Other Public Areas Throughout Jamaica," www.atcominfo.com, 17 May 2000; "Kiosks Could Make Public Access Common," www.usatoday.com, 28 February 1999; and Carol Jouzaitis, "Step Right Up and Pay Your Taxes and Tickets," *USA Today*, 2 October 1997, 4A.

Delivering Services in Cyberspace

Technological developments during the last 20 years have had a remarkable impact on the methods by which services are produced and delivered. Advances in telecommunications and computer technology in particular continue to result in service delivery innovations. For example, personal computers and the Internet are changing the way people shop for both goods and services. In addition to placing catalog orders by mail or telephone, many people now also shop in cyberspace. The Internet's 24-hour service is particularly appealing to customers whose busy lives leave them short of time. Forrester Research says that customers are attracted to virtual stores by four factors in the following order of importance: convenience, ease of research (obtaining information and searching for desired items or services), better prices, and broad selection.¹³

Web sites have become an important competitive tool for service marketers. While some firms only view them as an alternative to paper brochures, others use them in more creative ways ranging from order-taking channels to electronic delivery systems. Delivery through the Internet is an option for any information-based product. Information-based services now delivered through commercial Web sites include software, news, research reports, music, and other forms of entertainment. Firms can also deliver information-based services to their customers as e-mail attachments or through corporate "extranets"—secure, private networks linking a company to its major suppliers and designated customers. Charles Schwab, the brokerage firm, offers investors wireless Internet access through its PocketBroker service.

Traditional retailers have been forced to respond to stiffer competition from Internet and telephone-based catalog retailing. One company, software and computer retailer Egghead Inc., decided to get out of physical retailing altogether. It closed its 80 stores across the United States, laid off 800 of its 1,000 workers, shifted its sales entirely to the Internet, and renamed itselfEgghead.com. Other retailers, like the giant bookstore chain Barnes and Noble, have developed a strong Internet presence to complement their full-service bookstores in an effort to counter competition from "cyberspace retailers" such as Amazon.com (which has no retail outlets).¹⁴

Other store-based retailers are responding to this competitive challenge by trying to make the shopping experience more interesting and enjoyable for customers. Malls have become larger, more colorful, and more elaborate. Within the mall, individual stores try to create their own atmosphere, but tenancy agreements often specify certain design criteria to ensure that each store fits comfortably into the overall mall servicescape. The presence of "food courts" and other gathering places encourages social interaction among shoppers. Theatrical touches include live entertainment, special lighting effects, fountains, waterfalls, and eye-catching interior landscaping ranging from banks of flowers to surprisingly large trees. Individual stores try to add value by offering product demonstrations and such services as customized advice, gift-wrapping, free delivery, installation, and warranty services.

Service Schedules

In the past, most retail and professional services in industrialized countries followed a traditional and rather restricted schedule that limited service availability to 40 to 50 hours a week. This routine reflected social norms (and even legal requirements or union agreements) as to what were appropriate hours for people to work and for enterprises to sell things. The situation caused a lot of inconvenience for working people who either had to shop during their lunch break (if the stores themselves

didn't close for lunch) or on Saturdays (if management chose to remain open a sixth day). The idea of doing business on a Sunday was strongly discouraged in most Christian cultures and often prohibited by law, reflecting long-standing traditions based on religious practice. Among commercial services, only those devoted to entertainment and relaxation, like movie theaters, bars, restaurants, and sporting facilities, geared their schedules toward weekends and evening hours when their customers had leisure time. Even so, they often faced restrictions on hours of operation, especially on Sundays.

Today, things are changing fast in terms of business operating hours. For some highly responsive service operations, the standard has become **24/7 service**—24 hours a day, 7 days a week, around the world. Some services like telecommunications and international airlines are 24-hour operations, every day of the year. Other examples include services that respond to emergencies, such as fire, police, and ambulance, or repairs to vital equipment. Hospitals and first-class hotels provide 24-hour care or room service. Ships and long-distance trains keep going through the night, too.

24/7 service: service that is available 24 hours a day, 7 days a week,

Factors That Encourage Extended Operating Hours

At least five factors are driving the move toward extended operating hours and seven-day operations. The trend has been most noticeable in the United States and Canada, but it's spreading elsewhere.

- >- *Economic pressure from consumers.* The growing number of two-income families and single wage-earners who live alone need time outside normal working hours to shop and use other services, since they have nobody else to do these things for them. Once one store or firm in any given area extends its hours to meet the needs of these market segments, competitors often feel obliged to follow. Retail chains have often led the way in this respect.
- »- *Changes in legislation.* A second factor has been the decline in support for the traditional religious view that a specific day (typically Sunday in predominantly Christian cultures) should be legislated as a day of rest for everyone, regardless of religious affiliation. In a multicultural society, of course, it's difficult to establish just what day should be designated as special—for observant Jews and Seventh Day Adventists, Saturday is the Sabbath; and for Muslims, Friday is the holy day. There has been a gradual erosion of legislation related to this issue in Western nations in recent years, although it's still firmly in place in some countries and locations. In Switzerland, for example, most retail activities still close down on Sundays—except for bakeries, where people like to buy freshly baked bread on Sunday mornings.
- >- *Economic incentives to improve asset utilization.* Even if the number of extra customers served is minimal, there are both operational and marketing advantages to remaining open 24 hours. The incremental cost of extending hours is often relatively small (especially when part-timers can be hired without paying them overtime or benefits). If extending hours reduces crowding and increases revenues, then it's economically attractive. There are also costs involved in shutting down and reopening a facility like a supermarket. Climate control and some lighting must be left running all night, and security personnel must be paid to keep an eye on the place.
- >- *Availability of employees to work during "unsocial" hours.* Changing lifestyles and a desire for part-time employment have combined to create a growing labor pool

Modern ATMs not only offer 24-hour banking services but may also dispense tickets, stamps, and abbreviated bank statements.



of people who are willing to work evenings and nights. Some of these workers are students looking for part-time work outside their classroom hours or parents juggling child-care responsibilities. Others are "moonlighting," holding a full-time job by day and earning additional income by night. Some people simply prefer to work at night and relax or sleep during the day, while others are glad to obtain any paid employment, regardless of hours.

Automated self-service facilities. Self-service equipment has become increasingly reliable and user friendly. Many machines now accept card-based payments in addition to coins and banknotes. Installing unattended machines may be economically feasible in places that couldn't support a staffed facility. Unless a machine requires frequent servicing or is particularly vulnerable to vandalism, the incremental cost of going from limited hours to 24-hour operation is minimal. In fact, it may be much simpler to leave machines running all the time than to turn them on and off, especially if they are placed in widely scattered locations.

Responding to Customers' Need for Convenience

American and Canadian retailers have led the way toward meeting customer needs for greater convenience, but many other countries are now beginning to follow suit. The changes initially began with early-morning to late-evening service in pharmacies and "7-11" convenience stores that were open from 7 a.m. to 11 p.m. (In continental Europe, which employs the 24-hour system for keeping time, such stores are sometimes referred to as "7-23" stores—for obvious reasons!) The trend has now extended to 24-hour service in a variety of retail outlets from service stations to restaurants to supermarkets.

The customer's search for convenience has not been confined to convenient times and places, nor to just the purchase of core products. People want easy access to

supplementary services, too—especially information, reservations, and problem solving. As one credit card executive observed,

There are a lot of two-income families. Our customers are busy with their personal lives, and they don't have a lot of time to handle their personal business. They expect us to be available to them when it's convenient for them, not when it's convenient for us, so they expect extended hours. And most of all, they expect one contact to solve their problem.

In many service industries, information and problem-solving needs were originally met by telephoning a specific store or facility during its regular operating hours. But led by airlines and hotel chains, separate customer service centers have evolved, reached by calling a single toll-free number. Service providers operate some of these centers themselves, while others, such as hotel chains, often subcontract functions such as reservations to specialist intermediaries. Once a firm departs from locally staffed phones and installs a centralized system, it can create more consistent service and offer greater expertise, but risks losing the local touch.

Moving to 24/7 Service

Providing extended-hours customer service is almost mandatory for any organization with a nationwide clientele in countries (or service regions) that cover multiple time zones. Consider a company that serves customers on both the Atlantic and Pacific coasts of North America. Between New York and Los Angeles, for example, there is a three-hour time difference. If the switchboard closes at 5:00 P.M. Eastern Time, then customers on the west coast are denied access to the number after 2:00 P.M. Pacific Time. The situation is even worse for those on Alaska-Hawaii time, where it's only 12 noon. Things are reversed when the supplier is located on the West Coast. Imagine a Canadian firm in Vancouver B.C. whose office opens at 8:30 A.M. Pacific Time. By then it's already 12:30 P.M. Atlantic Time in Halifax, Nova Scotia, and 1:00 P.M. in St. John's, Newfoundland (which has its own time zone).

When a North American business redefines its goal as offering continent-wide service on a daily basis—from first thing in the morning in Newfoundland to mid-evening in Alaska or Hawaii—managers don't need a fancy calculator to figure out that customer service lines will have to be open at least 18 hours a day. At this point, the firm may want to consider going to 24-hour operations. The desirability of this move depends on the firm's priorities, the costs involved, and the value that customers place on total accessibility. One alternative to operating the service factory around the clock is to use automated call centers or Web sites that can handle many kinds of transactions and queries without human backup.

Servicing Manufactured Products

Most manufactured products create a need for accompanying services, ranging from financing and training to transportation and maintenance. The competitiveness of a manufacturer's products in both domestic and global markets is often as much a function of the availability and quality of relevant services as the quality of the core product.

Both manufacturing and service companies now rely on computer-based systems to provide many of the supplementary services that customers need and expect. In turn, there is a huge market for servicing these computer systems. Powerful computers and peripherals—and the software to run them—have been sold to users all over the world. Although there are many niche players, large computer systems are supplied by a handful of international firms, dominated by American and Japanese companies. The systems that they sell can be found in operation in locations ranging from big city banks to

chemical plants near rural towns. They are also present in such exotic locations as remote mining sites in Australia, oil rigs above the Arctic Circle, airports on Pacific islands, hydroelectric projects in the Andes, and on ships sailing the seven seas.

As powerful as these computers are, they are only of value when up and running. System failures can have disastrous consequences for both their users and the users' own customers. When a firm is dependent on a system 24 hours a day, downtime can be very disruptive: The consequences can range from personal inconvenience to the shutdown of a major facility. Some emergencies can be handled by a duty person, reached by a pager or cellular phone, who drives to the site of the problem, makes a physical inspection, and undertakes whatever repairs are necessary. Maintaining and repairing computers was historically a task that had to be performed on site. But, engineers at companies like IBM or Hewlett-Packard are now able to monitor customers' installations from a support center in a distant location—even on another continent—then diagnose and fix many hardware and software problems without ever leaving their own offices.

THE ROLE OF INTERMEDIARIES

Cost-conscious operations managers should consider: *What options exist for using third-party intermediaries?* Delegating specialized delivery tasks is often a cost-effective strategy, especially for supplementary service elements. It may also be an effective marketing strategy, enabling a firm to reach more customers—and offer them more supplementary services—than the firm could economically do on its own.

Delegating Specific Service Elements

Travel agents and theater ticket agents handle customer interactions like giving out information, taking reservations, accepting payment, and ticketing. Brokers sell and service insurance policies. Distributors representing manufacturers take responsibility not only for sales but also for such supplementary services as information, advice, order taking, delivery, installation, billing and payment, and some problem solving; in some cases, they may also handle repairs and upgrades. In Figure 11.3 we use the Flower of Service framework to illustrate how the original supplier may work in partnership with one or more intermediaries to deliver a complete service package to customers. In this example, the core product is still delivered by the originating supplier, together with certain supplementary elements in the information, consultation, and exceptions categories. The remaining supplementary services have been added by an intermediary to com-

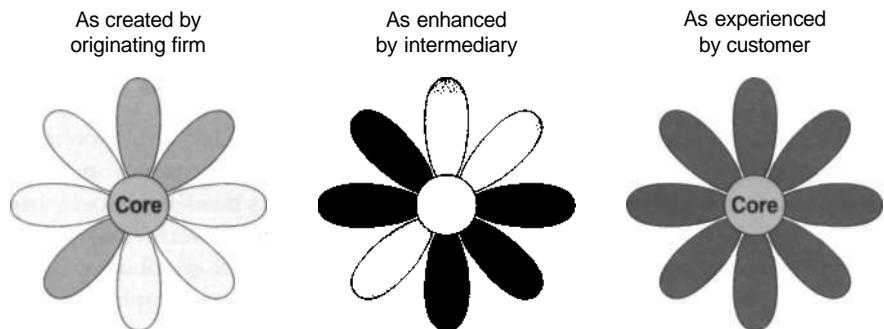


FIGURE 11.3
Splitting Responsibilities for
Supplementary Service
Elements

plete the offering as experienced by the customer. In other instances, several specialist outsourcers might be involved as intermediaries for specific elements. The original service provider must act as the guardian of the overall process, ensuring that each element offered by intermediaries fits the overall service concept to create a consistent and seamless branded service experience.

Franchising

Even delivery of the core service product can be outsourced to an intermediary. This is the essence of franchising, a common strategy for expanding delivery of a proven service concept to multiple sites, without the level of investment capital required for rapid expansion of company-owned and managed sites. Franchisors recruit entrepreneurs who are willing to invest their own time and equity to manage a business based on a previously developed service concept. In return, the franchisor provides training in operations and marketing, sells necessary supplies, and provides promotional support at a national or regional level to augment local marketing activities (which are paid for by the franchisee but must adhere to copy and media guidelines prescribed by the franchisor).

A disadvantage of franchising is that it entails some loss of control over the delivery system and how customers experience the actual service. Franchisors usually attempt to exercise control over all aspects of the service performance through a contract that specifies adherence to tightly defined service standards, procedures, scripts, and physical presentation. There is ongoing monitoring of productivity and quality standards relating not only to output specifications, but also to the appearance of the physical facilities, employee performance, and hours of operation. As franchisees gain experience, they sometimes start to resent the various fees they pay the franchisor and believe that they can operate the business better without the constraints imposed by the agreement. The resulting disputes often lead to legal fights between the two parties.

Licensing and Distribution Agreements

An alternative to franchising is licensing another supplier to act on the original supplier's behalf to deliver the core product. Universities sometimes license another educational institution to deliver courses designed by the former. Trucking companies regularly use independent agents instead of locating company-owned branches in each of the different cities they serve. Many choose to contract with independent "owner-operators," who drive their own trucks, rather than buying trucks and employing full-time drivers.

Financial services also engage in service distribution agreements. Banks seeking to move into investment services will often act as the distributor for mutual fund products created by an investment firm that lacks extensive distribution channels of its own. Many banks also sell insurance products underwritten by an insurance company. They collect a commission on the sale but are not normally involved in handling claims.

Conclusion

Responses to the questions "Where? When? and How?" provide the foundation of service delivery strategy. The customer's overall service experience is a function of both service performance and delivery characteristics. "Where?" relates, of course, to the places where customers can obtain service delivery. In this chapter, we presented a categorization scheme for thinking about alternative place-related strategies, including remote delivery from virtual locations.

"When?" involves decisions about the scheduling of service delivery. Customer demands for greater convenience are now leading many firms to extend their hours and days of service. "How?" addresses channels and procedures for delivering the core and supplementary service elements to customers. Advances in technology continue to have a major impact on the alternatives available and on the economics of those alternatives.

Study Questions and Exercises

1. Review the story about Kinko's at the beginning of this chapter. What do you see as the key changes in (a) product strategy and (b) distribution strategy?
2. What are the key decisions managers must consider in designing a service delivery system? What are some of the trade-offs that must be made?
3. Identify a service whose delivery strategy fits each of the categories in Table 11.1. What are the implications for management in each case?
4. Describe the servicescapes of two different service businesses. To what extent are their roles strategic in design (differentiating one firm from its competitors) versus functional (adding value for customers and employees)? Give specific examples to support your answers.
5. Visit the Amazon.com and BarnesandNoble.com Web sites. Compare their design, structure, and ease of use. As a potential customer, which do you prefer and why? What enhancements would you suggest?
6. Select a service organization with which you are reasonably familiar, and construct a simple flowchart of service delivery. Identify the critical points within the service delivery process that are likely to have a significant bearing on the customer's experience. Clarify why these points in the process are particularly important and how you would manage them.
7. Identify five situations in which you use a self-service delivery option. In each case, explain your motivation for using this approach to delivery rather than having service personnel do it for you.
8. Using the same five situations you chose for Question 7, comment on the user-friendliness of the equipment, the mental and physical effort required, the time involved, and any negative sensory experiences. Are there any perceived risks for customers who use these self-service options? What recommendations for improvements would you offer to management?
9. What marketing and management challenges might result from the use of intermediaries in a service setting?

Endnotes

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