

Wksht chapter 3 developing service concepts – core and supplementary element



Developing Service Concepts: Core and Supplementary Element | Overview of Chapter 3 * Planning and Creating Services * The Flower of Service * Planning and Branding Service Products * Development of New Services| I.

Planning and Creating Services * A service product comprises all elements of service performance, both tangible and intangible, that create value for customers * The service concept is represented by: * A _____ * Accompanied by _____ | Core Products and Supplementary Services * In mature industries, core products often become commodities * Supplementary services help to differentiate core products and create competitive advantage by: * Facilitating use of core product (a service or a good) * Enhancing the value and appeal of the core product| Augmenting the Core Product (Fig 3. 1) * Are supplementary services needed to facilitate use of core product or simply to add extra appeal? * Should customers be charged separately for each service element? * Or should all elements be bundled at a single price? | | Designing a Service Concept * _____ * Central component that supplies the principal, problem-solving benefits customers seek * _____ * Augment the core product, facilitating its use and enhancing its value and appeal * _____ * Used to deliver both the core product and each of the supplementary services| |

Documenting Delivery Sequence Over Time * Must address sequence in which customers will use each core and supplementary service * Determine approximate length of time required for each step * Customers may budget a specific amount of time for an activity * Information should reflect good understanding of customers, especially their: * _____ *

_____ * _____ * Question: Do customers' expectations change during service delivery in light of perceived quality of each sequential encounter? | What Happens, When, in What Sequence? Time Dimension in Augmented Product (Fig 3. 3)| Core and Supplementary Services at Luxury Hotel (Offering Much More than Cheap Motel!)| |

Flowcharting Service Delivery Helps to Clarify Product Elements * Offers way to understand totality of customer's service experience * Useful for distinguishing between core product itself and service elements that supplement core * Restaurants: Food and beverage (core) * Reservations (supplementary services) * Shows how nature of customer involvement with service organizations varies by type of service: * People processing * Possession processing * Mental Stimulus processing * Information processing| Defining Core and Supplementary Elements of Our Service Product * How is our core product defined and what supplementary elements augment it? * What product benefits create most value for customers? * Is our service package differentiated from competition in meaningful ways for target customers? * What are current levels of service on core product and each supplementary element? * Can we charge more for higher service levels?

For example: * Faster response and execution * Better physical amenities * Easier access * Higher staffing levels * Superior caliber personnel * Alternatively, should we cut service levels and charge less? | Simple Flowchart for Delivery of a _____-Processing Service (Fig 3. 4)|

People Processing - Stay at Motel Park Car Check In Spend Night in Room Breakfast Check Out Breakfast Prepared Maid Makes up Room | Simple

Flowchart for Delivery of a _____-Processing Service (Fig 3. 4)| |
 Simple Flowchart for Delivery of _____-Processing Service (Fig 3. 4)| | Simple Flowchart for Delivery of _____-Processing Service (Fig 3. 4)| | II. The Flower of Service (Fig 3.)| How to Determine What Supplementary Services Should Be Offered * Not every core product is surrounded by supplementary elements from all eight clusters * Nature of product helps to determine: * Which supplementary services must be offered * Which might usefully be added to enhance value and ease of doing business with the organization

* People-processing and high-contact services tend to have more supplementary services * Market positioning strategy helps to determine which supplementary services should be included * Firms that offer different levels of service often add extra supplementary services for each upgrade in service level | Facilitating Services—_____| Customers often require information about how to obtain and use a product or service. Examples of elements: * Directions to service site * Schedule/service hours * Prices * Conditions of sale * Usage instructions| Facilitating Services—_____| Customers need to know what is available and may want to secure commitment to delivery. The process should be fast and smooth. Examples of elements: * Applications * Order entry * Reservations and check-in| Facilitating Services—_____| “ How much do I owe you? ” Bills should be clear, Accurate, and intelligible.

Examples of elements: * Periodic statements of account activity * Machine display of amount due| Facilitating Services—_____| Customers may pay faster and more cheerfully if you make transactions simple and

convenient for them. Examples of elements: * Self service payment * Direct to payee or intermediary Automatic deduction| Enhancing Services— _____| Value can be added to goods and services by offering advice and consultation tailored to each customer's needs and situation. Examples of elements: * Customized advice * Personal counseling * Management consulting| Enhancing Services— _____| Customers who invest time and effort in visiting business and using its services deserve to be treated as welcome guests— after all, marketing invited them! Examples of elements: * Greeting * Waiting facilities and amenities * Food and beverages * Toilets and washrooms * Security| Enhancing Services— _____| Customers prefer not to worry about looking after the personal possessions that they bring with them to a service site. Examples of elements: * Looking after possessions customers bring with them * Caring for goods purchased (or rented) by customers| Enhancing Services—EXCEPTIONS| Customers appreciate some flexibility when they make special requests and expect responsiveness when things don't go according to plan.

Examples of elements: * Special requests in advance * Complaints or compliments * Problem solving * Restitution| Managerial Implications (To develop product policy and pricing strategy) * Managers need to determine: * Which supplementary services should be offered as a standard package accompanying the core * Which supplementary elements could be offered as options for an extra charge * In general, firms that compete on a low-cost, no-frills basis needs fewer supplementary elements than those marketing expensive, high-value-added services * Each flower petal must receive

consistent care and concern to remain fresh and appealing| III. Planning and Branding Service Products|

Service Products| * A product implies a defined and consistent “ _____ ” and also ability of firm to differentiate its bundle of output from competitors’ * Service firms can differentiate their products in similar fashion to various “ models ” offered by manufacturers * Providers of more intangible services also offer a “ _____ ” of products * Represent an assembly of elements that are built around the core product * May include certain value-added supplementary services | Product Lines and Brands| * Most service organizations offer a line of products rather than just a single product * They may choose among three broad alternatives: * Single brand to cover all products and services * A separate, stand-alone brand for each offering * Some combination of these two extremes| Spectrum of Branding Alternatives (Fig 3. 8)| * Branded House - Sub brands - Endorsed Brands - House of

Brands| Offering a Branded Experience (1)| * Branding can be employed at both _____ and _____ levels * _____ brand: * Easily recognized * Holds meaning to customers * Stands for a particular way of doing business * _____ brand: * Helps firm communicate distinctive experiences and benefits associated with a specific service concept * Moving toward branded customer experience includes: * Create brand promise * Shape truly differentiated customer experience * Give employees skills, tools, and supporting processes to deliver promise * Measure and monitor| Offering a Branded Experience (2)| “ The brand

promise or value proposition is not a tag line, an icon, or a color or a graphic element, although all of these may contribute.

It is, instead, the heart and soul of the brand.... " Don Schultz | IV. Developing New Services| A Hierarchy of New Service Categories (1)| 1. Major service innovations * New core products for previously undefined markets 2. Major process innovations * Using new processes to deliver existing products with added benefits 3. Product-line extensions * Additions to current product lines 4. Process-line extensions * Alternative delivery procedures 5. Supplementary service innovations * Addition of new or improved facilitating or enhancing elements 6. Service improvements * Modest changes in the performance of current products 7.

Style changes * Visible changes in service design or scripts| Reengineering Service Processes| * Service processes affect not only customers, but also cost, speed, and productivity with which desired outcome is achieved * _____ involves analyzing and redesigning processes to achieve faster and better performance * Running tasks in parallel instead of sequence can reduce/eliminate dead time * Examination of processes can lead to creation of alternative delivery methods that constitute new service concepts * Add/eliminate supplementary services * Resequence delivery of service elements * Offer self-service ptions| Physical Goods as a Source Of New Service Ideas| * Services can be built around rentals: Alternatives to owning a physical good and/or doing work oneself * Customers can rent goods—use and return for a fee—instead of purchasing them * Customers can hire personnel to operate own or rented equipment

* Any new durable good may create need for after-sales services now and in future—possession processing * Shipping * Installation * Problem-solving and consulting advice * Cleaning and maintenance * Upgrades * Removal and disposal| Creating Services as Substitutes for Owning and/or Using Goods (Fig 3. 10)| | Achieving Success in Developing New Services| * Services are not immune to high failure rates that plague new manufactured products * “ dot. com” companies * In developing new services * Core product is of secondary importance * Ability to maintain quality of the total service offering is key * Accompanying marketing support activities are vital * Market knowledge is of utmost importance| Success Factors in

New Service Development| * _____ * Good fit between new product and firm’s image/resources * Advantage versus competition in meeting customers’ needs * Strong support from firm during/after launch * Firm understands customer purchase decision behavior * _____ factors * Strong interfunctional cooperation and coordination * Internal marketing to educate staff on new product and its competition * Employees understand importance of new services to firm * _____ factors * Scientific studies conducted early in development process * Product concept well defined before undertaking field studies| Summary of Chapter 3: Developing Service Concepts (1)| * Planning and creating services involve: * Augmenting core product * Designing core product, supplementary services, and delivery process * Documenting delivery sequence over time with flowcharts * Gaining insights from flowcharting

* Flower of service includes core product and two types of supplementary services: facilitating and enhancing * Facilitating services include information,

order taking, billing, and payment * Enhancing services include consultation, hospitality, safekeeping, and exceptions * Spectrum of branding alternatives exists for services * Branded house * Sub-brands * Endorsed brands * House of brands * Seven categories of new services: * Major service innovations * Major process innovations * Product-line extensions * Process-line extensions * Supplementary service innovations * Service improvements * Style changes * To develop new services, we can * Reengineer service processes * Use physical goods as a source of new service ideas * Use research to design new services * Achieve success in developing new services|

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