

Creating New Services— Maximizing Your Expertise

Industry veteran Laurie Young discusses the vital role of new service design and offers a practical guide to the process.

By Laurie Young



Laurie Young has held senior positions with BT, Unisys, and PricewaterhouseCoopers (as global marketing partner for their advisory division). Over the years, his clients have included Russell Reynolds, Deloitte, Nokia, Ericsson, BBC, Microsoft, and American Express. His latest book, *Marketing the Professional Services Firm*, was recently published by Wiley and is available on Amazon.com. Laurie may be contacted at lauriedyoung@aol.com.

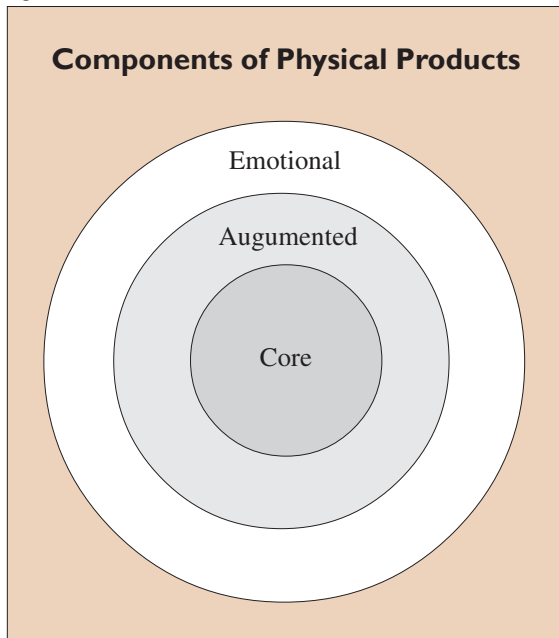


point of view

In today's world, whatever market a company is in, it is likely to offer buyers a mix of physical parts and intangible service components. The size and scope of the service element will depend upon whether it represents an organization's core offer, is a support service to a product, or is part of a value-added proposition. For any type of service to deliver customer value, however, its various elements need to be carefully planned, adjusted, and mixed to match the needs of different customer groups. Yet, although many would agree with this statement, very few are aware that there are well-established techniques and processes to design a service in this way.

Called new service design (NSD), the approach can be used to create new services and rejuvenate tired ones. NSD incorporates all service elements—physical, technical, process, artistic, human, and emotional—into a clear value proposition. For instance, a technique called “features analysis” (illustrated in *Figure 1*), is often used to understand the features of a product. It divides propositions into three types of features: core, augmented, and emotional. The proactive management of this mix helps managers design increasingly sophisticated versions of their offering that help to differentiate them from the competition.

Figure 1



the core feature is personal transportation. This can be one of the most difficult aspects to settle—in both product and service design. However, getting it right gives meaning to the entire offer. In the second ring are the “augmented” features. These are the product’s physical components through which the designer chooses to express and communicate the core feature. In the briefcase example, this might include the options of leather, latches, nature of stitching, and internal construction.

The “core” feature is the hub of the offer and represents the prime benefit to buyers. For example, the core feature of a briefcase is that it holds and carries documents. For an automobile,

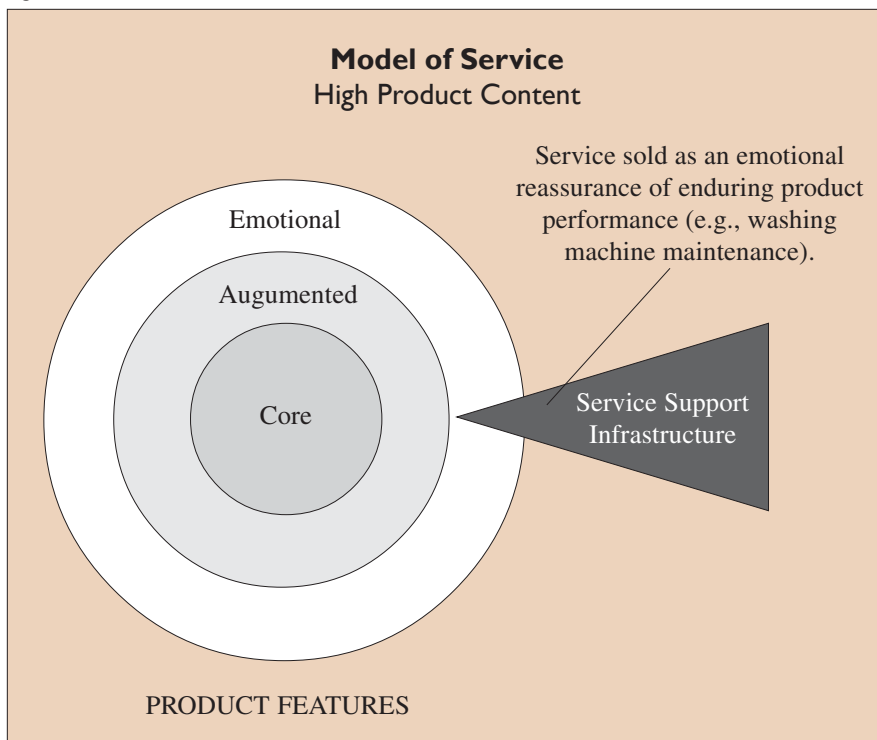
For the automobile, augmented features would include the engine, bodywork, color, and physical layout.

The outer layer—the “emotional” features—should be designed to appeal

to buyers’ underlying (often unknown and unarticulated) emotional requirements. These can be the most influential aspects of the proposition, affecting buyers’ perceptions of value. Without emotional features, products and services are nothing more than commodities—and their prices reflect this. Although emotional elements in reality are delivered through the physical (augmented) features, the emotional ring of the planning tool reminds designers to proactively plan their presence. Designers also need to ensure consistency with the firm’s brand values. For example, the emotional promise of a briefcase with a designer label will differ from one with a lesser-known label.

Using this approach, services can be planned in detail. *Figures 2 and 3* represent two types of services offerings. *Figure 2* represents a repair service, in which case, it is an emotional reassurance that customers will continue to receive the benefit of the product, and *Figure 3* represents a hybrid, such as a systems integration project.

Figure 2



Linking the Tangible and Intangible

Having decided on the details of the proposed service offering, it is necessary to plan the linkage between the different tangible and intangible components. “Molecular modeling” breaks the offer into tangible and intangible elements (see an airline example shown in *Figure 4*). The outer rings represent various aspects of marketing such as price, distribution, and positioning. Lines interconnecting the various elements show the interrelationships between the processes that deliver the service.

The figure shows how the intangible core service of an airline—the

flight—is carried in a tangible product—the cabin. It also contains the intangible value-added service: in-flight care, which is judged on some tangible components such as the meal. The benefit of this technique is that it allows the service designer to vary components to match the requirements of different customer groups by adjusting the different elements to match the needs that are important to them.

Mapping and Designing the Customer Experience

One of the major differences between the purchase of a product and the experience of a service is the process through which the buyer moves. Some industries call it the “customer journey,” focusing on the customer’s experience and the effect of service on the intent to repurchase. The customer process has several components: the sales process, the contract, the delivery, and completion. The journey needs to be mapped and each phase must be carefully designed. This can be done via a technique called “service blueprinting” (see the shoeshine service example shown in *Figure 5*).

The technique differentiates between those processes customers see and those they do not. This is called the “line of visibility.” This separation of front- and back-office processes has been especially helpful in retail banking, where firms have used it to streamline and centralize back-office processes, thereby improving productivity. At the same time, they have recruited people into front-office operations who have strong interpersonal skills.

An important part of blueprinting is timing. Allocating time to each step of the customer experience allows tolerances to be measured and adjust-

Figure 3

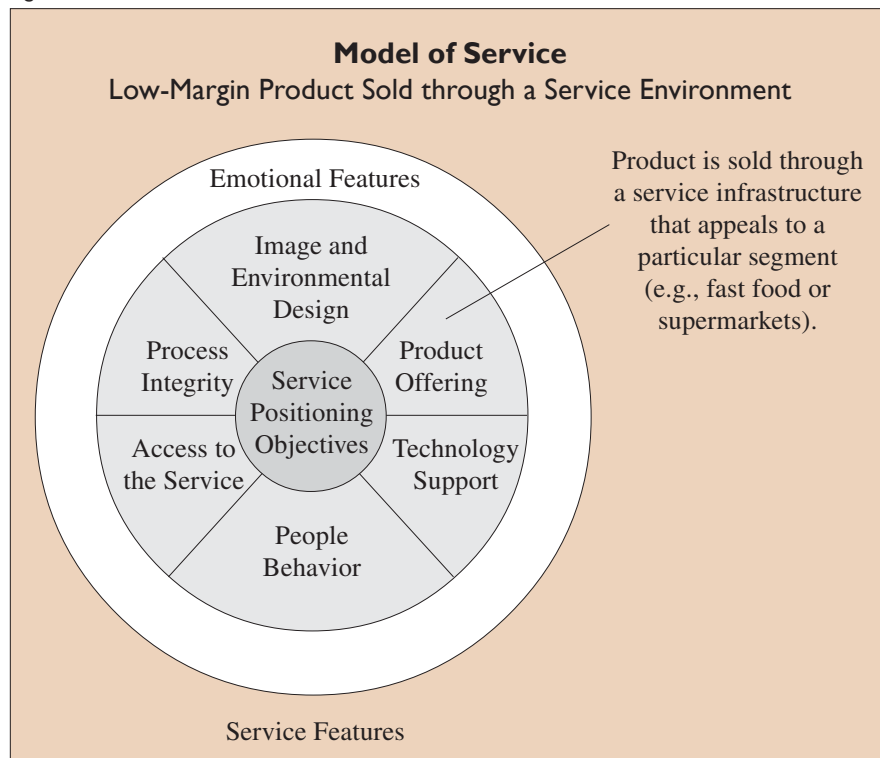
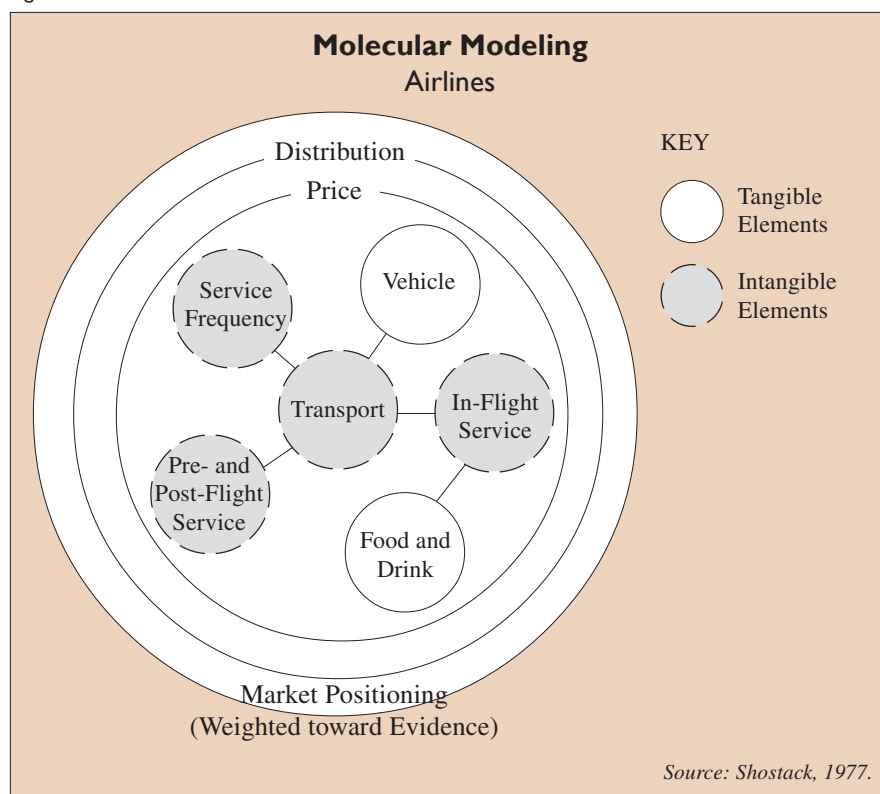
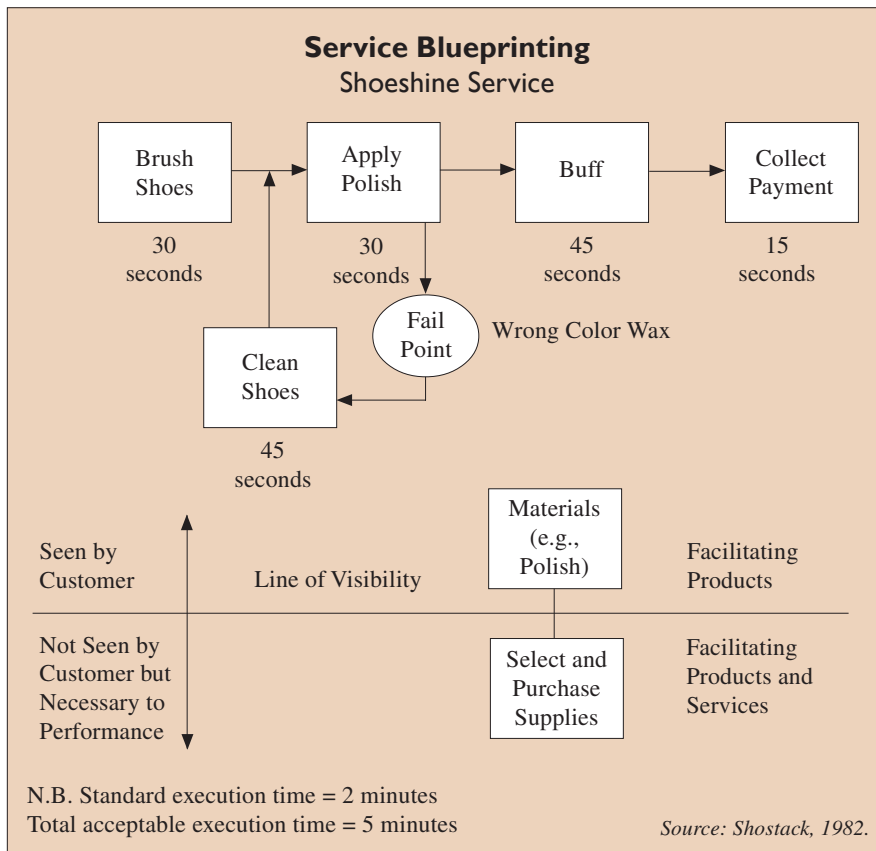


Figure 4



Source: Shostack, 1977.

Figure 5



ments to be made. In some cultures, for instance, speed is the essence of good service, and delays drive customers elsewhere. On the other hand, some telephone services have found that an instantaneous answer irritates customers who value a few seconds of ringtone to collect their thoughts. Blueprinting allows the planner to get the right balance for each customer

group.

A final, but important, step in blueprinting is the design of emergency procedures or likely responses to failure. This is illustrated in *Figure 5* as the method of recovery from applying the wrong shoe polish. To err is human; therefore it pays to think of likely mistakes and build recovery into the services process. It is also important to

give front-line service employees clear guidelines as to the latitude they have in correcting errors or customizing the process. Too little latitude will cause customer dissatisfaction; too much will add costs.

Ensuring and Communicating a Genuine Value Proposition

A value proposition is an offer to buyers that meets most of their buying criteria at a price they regard—however they form that judgement—as value for money. Contrary to popular belief, in many industries, price is not a buyer’s prime consideration. Sometimes they will pay more for a particular item or will deliberately choose an “expensive” offer. It depends on the value price represents to that individual.

Most effective value propositions evolve naturally over time. Suppliers create an offer to which buyers respond. The suppliers then adjust the offers in response to how they see the products being used and launch an adjusted mix of components. Yet, the evidence suggests that neither the supplier nor the buyer frequently understands what is happening. People make many decisions based on belief, emotion, or impulse. They frequently do not know, or cannot articulate, what they want or why a particular offer appeals to them. Similarly, individuals in the supply organization might be unaware of the reason their offer resonates with buyers.

Moreover, some new services fail because they are misrepresented—not through poor planning. A typical mistake is having marketing and sales literature that merely describes the various components of the service, instead of what is required—an attractive proposition, clearly summarizing the offer. Companies often get this wrong

Getting the Links Right between Tangible and Intangible

How to complete a molecular model:

1. Identify the nucleus of the proposition.
2. Identify physical and intangible elements.
3. Link the elements.
4. Ring the total entity and define it by its price.
5. Clarify its distribution method to make its relationship to the customers obvious.
6. Describe its brand positioning or public face.

because of a fragmented approach to creating value propositions. For instance, a project team will create the service components, a finance leader will agree on pricing, a sales or account manager will work out benefits to customers, and an advertising agency will create the one-sentence proposition.

A more dynamic model—managed entirely in-house—is needed to turn the raw components of the service into a unique proposition (see *Figure 6*). Such a model should include the following steps:

- A clear understanding of the intended buyers and their rational and emotional needs.
- An integrated view of the practical, design, and emotional components of the offering and their values to buyers.
- A clear view of the benefits of the proposition.
- A short, market-based description

Six Common Reasons Services Fail

- **Lack of differentiation:** The service is too much like a competitor's.
- **Allowing the service to become a commodity:** Customers will not pay a high enough price for it.
- **A poor understanding of buyer needs:** Customers themselves often do not know what they want, and when asked simply request the same thing faster or cheaper.
- **Over-reliance on industry reports:** These may be no more than trend analyses of previous research rather than up-to-date market insight.
- **The “one-off service” customized for a single client:** This can be a high-cost approach to service provision if aspects are difficult to replicate across the board.
- **The lack of a proposition:** Too many offers, particularly in B2B sectors, are unclear and complex.

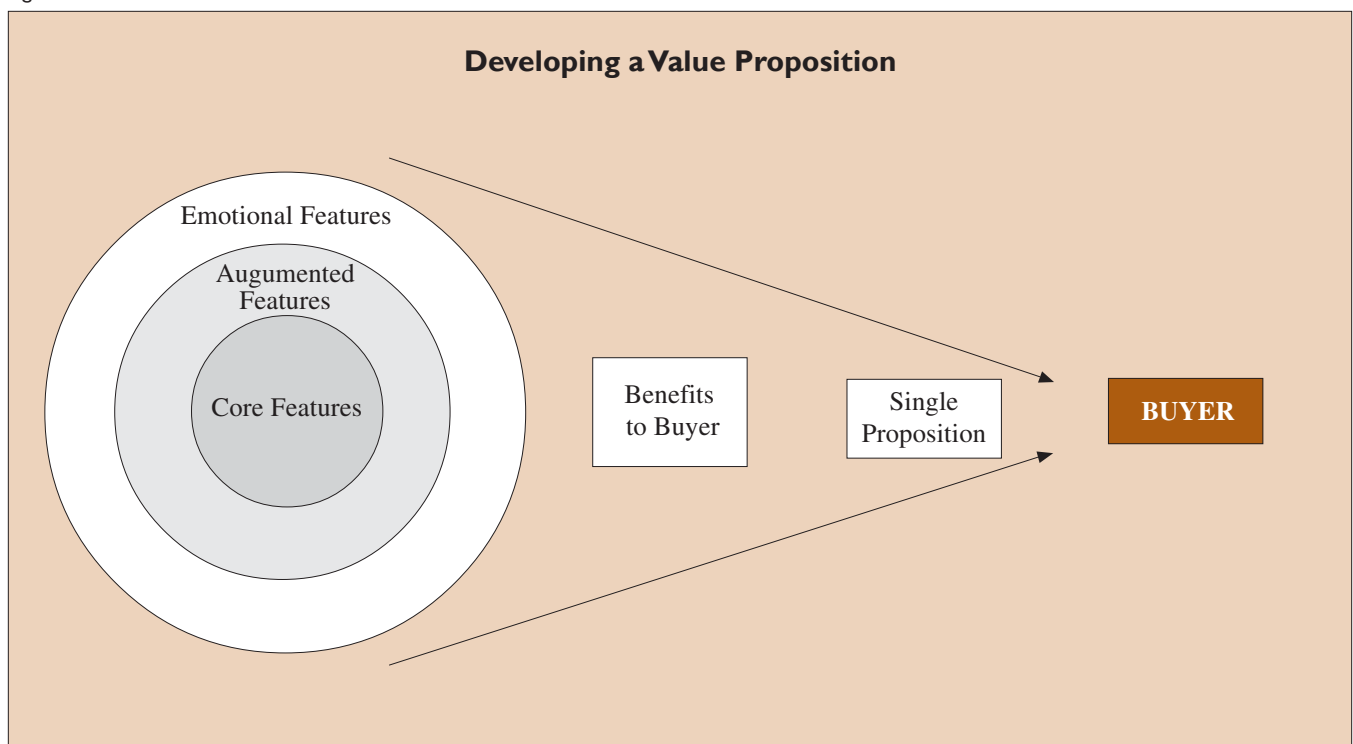
of the offering.

Managing for Better Services

Manufacturing companies have product managers for their most important products. These are senior managers

dedicated to the management of the features and benefits of a product and its success in the market. The same approach also makes sense for services organizations. Services managers should have detailed responsibilities

Figure 6



and sufficient authority to manage the business plan for a particular service, create and withdraw services, adjust the features mix, and take responsibility for the service's profitability. In addition, product companies that have moved into services have created services champions—individuals responsible for the spread of the new services concept throughout the organization. These tend to be senior managers, with weight in the organization, who take on the role of political champions for the concept of that service. This role has often been necessary due to the difficulty of selling new services concepts inside a product- or sales-oriented organization. The need to get buy-in from so many different functions and individuals makes internal marketing critical to the success of the service.

Tackling Future Needs

In a growing number of product companies, the management of innovation is often a clearly defined discipline with well-understood principles. Some companies manage innovation and creativity by keeping the organization small and ensuring that the management team stays focused on the creation of new opportunities. Other product companies have managed creativity by using external agencies, such as new product development companies. There are various approaches. However, while some services companies use innovation techniques, it is rare for them to have established idea-generation processes and uncommon for them to proactively set about creating ideas. Formal schemes, such as they are, generally consist of a method of recording ideas, or an escalation route to a manager or "ideas group" for assess-

ment of potential. But the process often breaks down after that.

Understanding the management issues and techniques involved in developing new services and breathing new life into existing ones should be of far greater importance to all firms with a service proposition. The processes and concepts behind new service development provide demonstrable value. They can teach firms valuable lessons about how to turn expertise into a much more lucrative and competitive service offering, whether with the firm's core service, value-added services, or brand-new offers. This demands the development of a far more formal approach to new service design. Getting a grip on this critical part of the business should be high on the leadership's change agenda. ▼

This article originally appeared in the March/April 2007 issue of *Sbusiness*, a publication of AFSM International, Fort Myers, Florida.