



SERVICE MARKETING

CHAPTER 4: DEVELOPING SERVICE PRODUCTS: CORE AND SUPPLEMENTARY ELEMENTS

OVERVIEW

4.1 Planning and Creating Services

4.2 The Flower of Service

4.3 Branding Service Products and Experiences

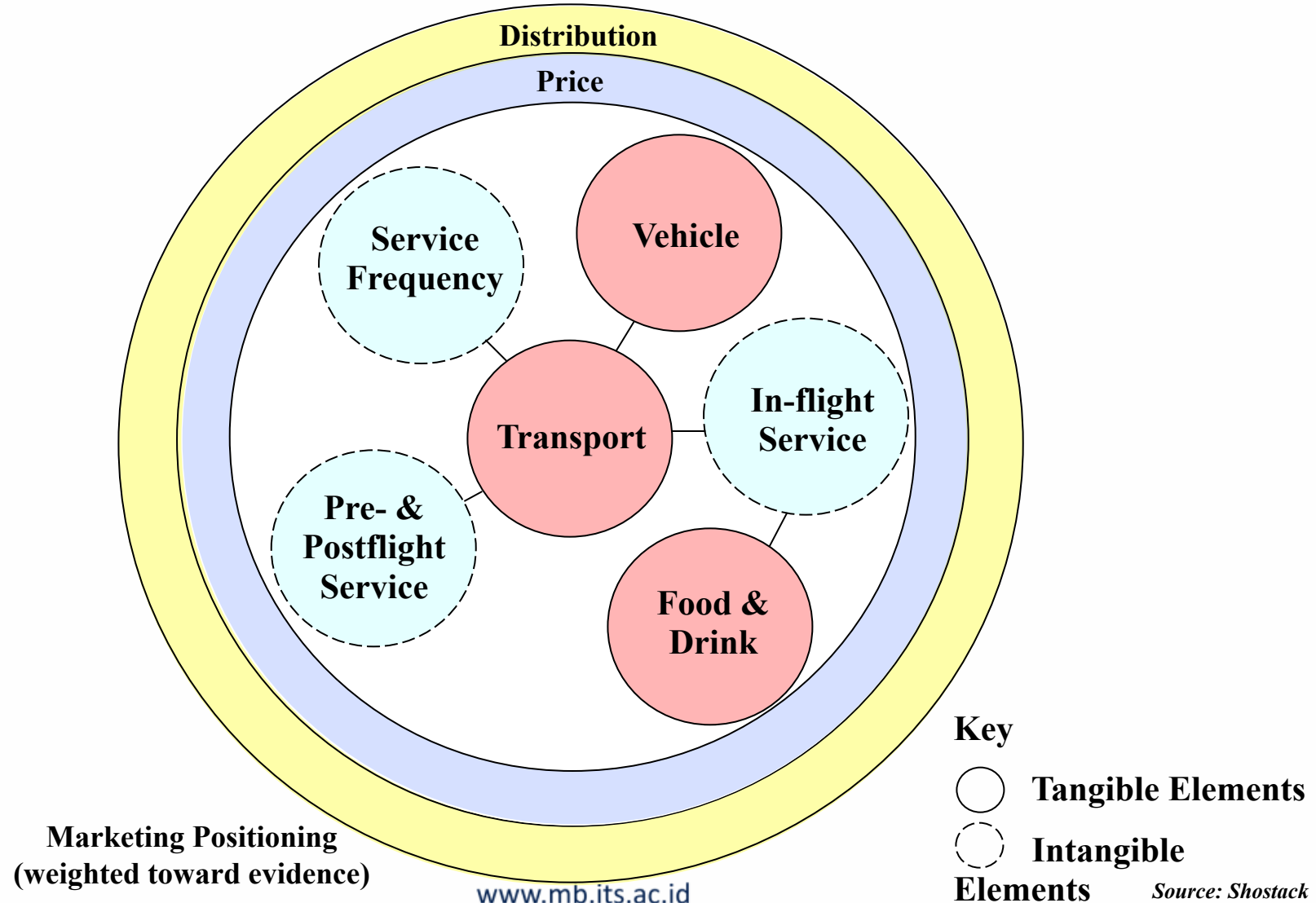
4.4 New Service Development

Emirates



A service product comprises of all elements of service performance, both **tangible** and **intangible**, that create value for customers.

AUGMENTING THE CORE PRODUCT: PASSENGER AIRLINE SERVICE



SERVICE PRODUCTS

Core product

Central component that supplies the principal, problem-solving benefits customers seek



(1)

Supplementary services

Augments the core product, facilitating its use and enhancing its value and appeal



(2)

Delivery processes

Used to deliver both the core product and each of the supplementary services



(3)

SERVICE PRODUCTS: EMIRATES



Emirates First Class

(1)

VS.



Emirates Economy Class

(2)

Source:

(1) <http://www.traveller.com.au/content/dam/images/e/c/q/4/image.gallery.articleLeadwide.620x349.1muf2k.png/1479088720482.jpg>

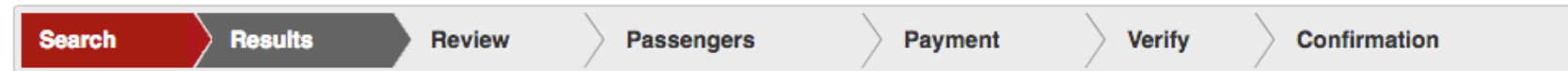
(2) <https://seeklogo.com/images/U/uber-logo-2BB8EC4342-seeklogo.com.png>

COMPARISON

Emirates

Global 


Make a booking




Your search

From Jakarta (CGK)	To New York (JFK)	Departing 27 October 2017	Class First	Passengers 1 Adult	Change search
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Your preferred currency
You are viewing prices in **IDR**. If you would like to view prices in **USD** you can change it from the dropdown menu.

Also see prices in 

Lowest price for all passengers

IDR 90,657,600 

This price is the lowest available price combination for your selected dates. Look for the lowest price indicator in the results below to get this price. All prices below include airfare, taxes, fees and carrier-imposed charges for 1 passenger (1 adult).

**Emirates First Class
Jakarta – New York
27 Oct 2017**

COMPARISON

Emirates

Global 

Make a booking

Search → Results → Review → Passengers → Payment → Verify → Confirmation

Your search

From

Jakarta (CGK)

To

New York (JFK)

Departing

27 October 2017

Class

First

Passengers

1 Adult

Change search



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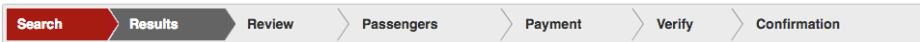
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**Emirates Economy Class
Jakarta – New York
27 Oct 2017**

COMPARISON



Make a booking



Your search

From Jakarta (CGK)	To New York (JFK)	Departing 27 October 2017	Class First	Passengers 1 Adult	Change search
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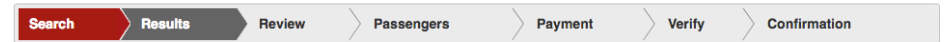
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**Emirates First Class
Jakarta – New York**



Make a booking



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**Emirates Economy Class
Jakarta – New York**

VS.

**SAME PLANE, SAME PILOT, SAME ETA
WHAT IS THE DIFFERENCE?**

THE SERVICE!

DESIGNING A SERVICE CONCEPT

Service concept design must address the following issues:

1. How the *different service components* are *delivered* to the customer
2. The nature of the *customer's role* in those processes
- 3. *How long delivery* lasts**
4. The *recommended level and style* of service to be *offered*

DOCUMENTING DELIVERY SEQUENCE OVER TIME

Must address sequence in which customers will use each core and supplementary service

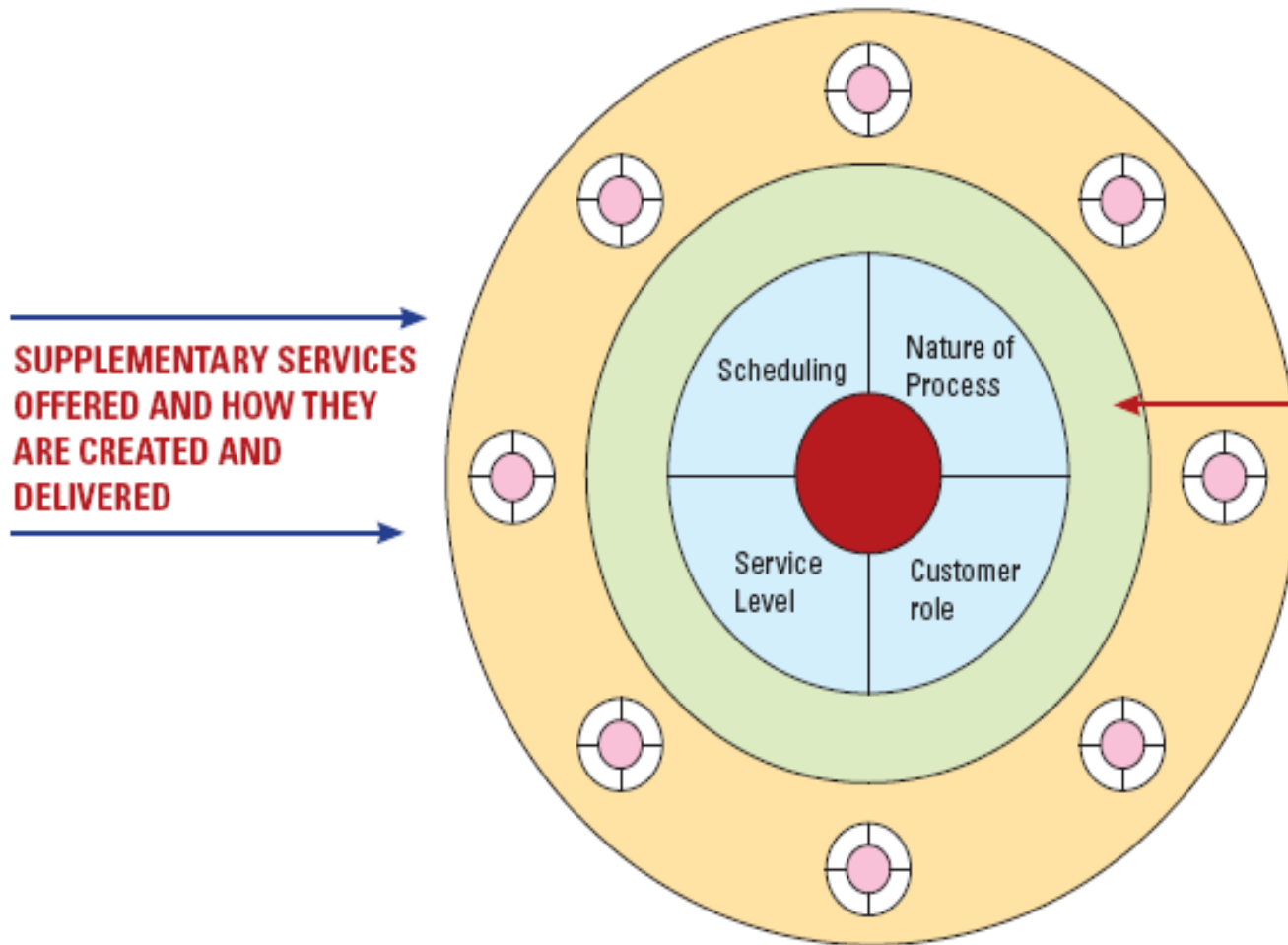
Determine *approximate length of time required* for each step

Information should reflect **good understanding of customers**, especially their:

- **needs**
- **habits**
- **expectations**

CORE AND SUPPLEMENTARY PRODUCT DESIGN: AN INTEGRATED PERSPECTIVE

This illustrates the **components** of the **service offering** for an **overnight stay at a luxury hotel**.

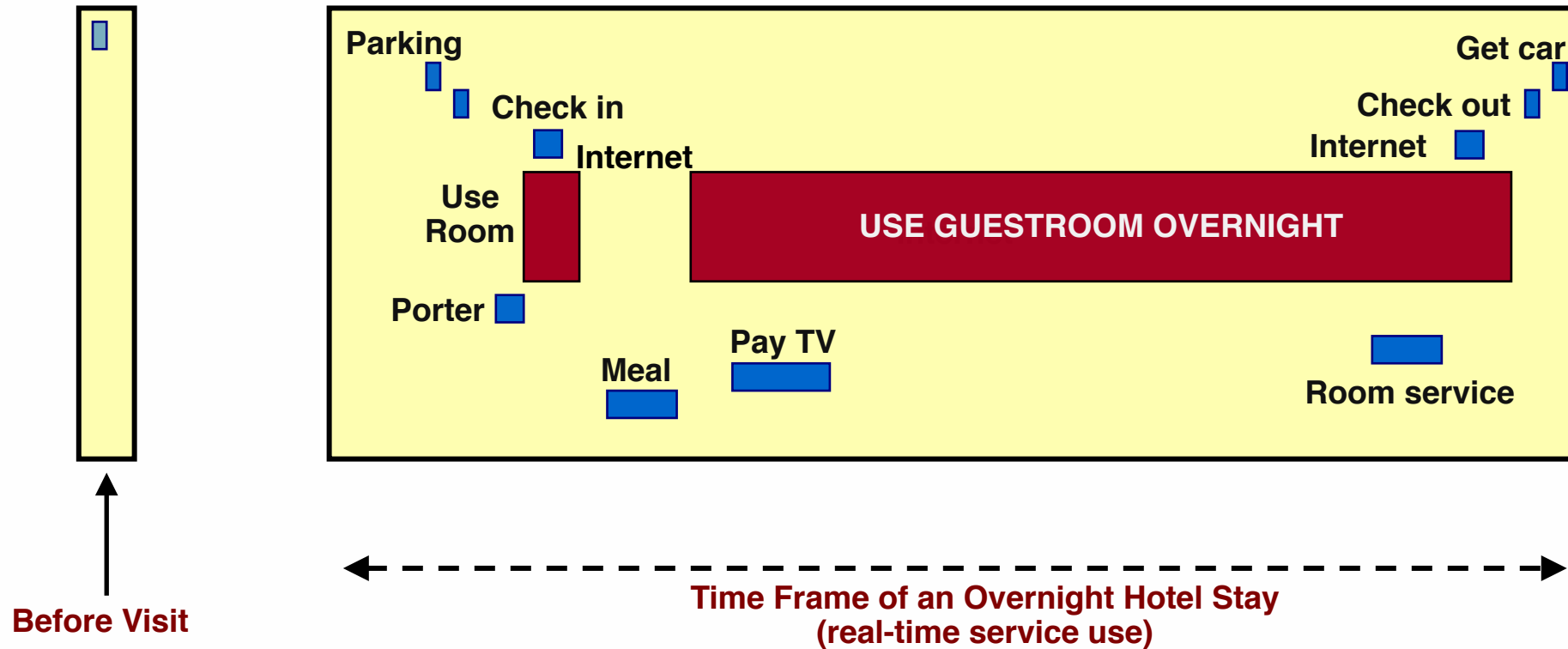


DELIVERING CONCEPT FOR
CORE PRODUCT

The **core product**—overnight rental of a bedroom—dimensioned by **service level**, **scheduling** (how long the room may be used before another payment becomes due), the **nature of the process** (in this instance, people processing), and the **role of the customers** in terms of what they are expected to do for themselves and what the hotel will do for them.

TIME DIMENSION IN AUGMENTED PRODUCT

Reservation



A temporal dimension to the different elements of the luxury hotel service concept, identifying **when** and **for how long** the services are likely to be consumed by a typical guest from a given segment.

THE FLOWER OF SERVICE

THE FLOWER OF SERVICE

In a **well-managed** service organization, the **petals** and **core** are fresh and well-formed

Two types of supplementary services

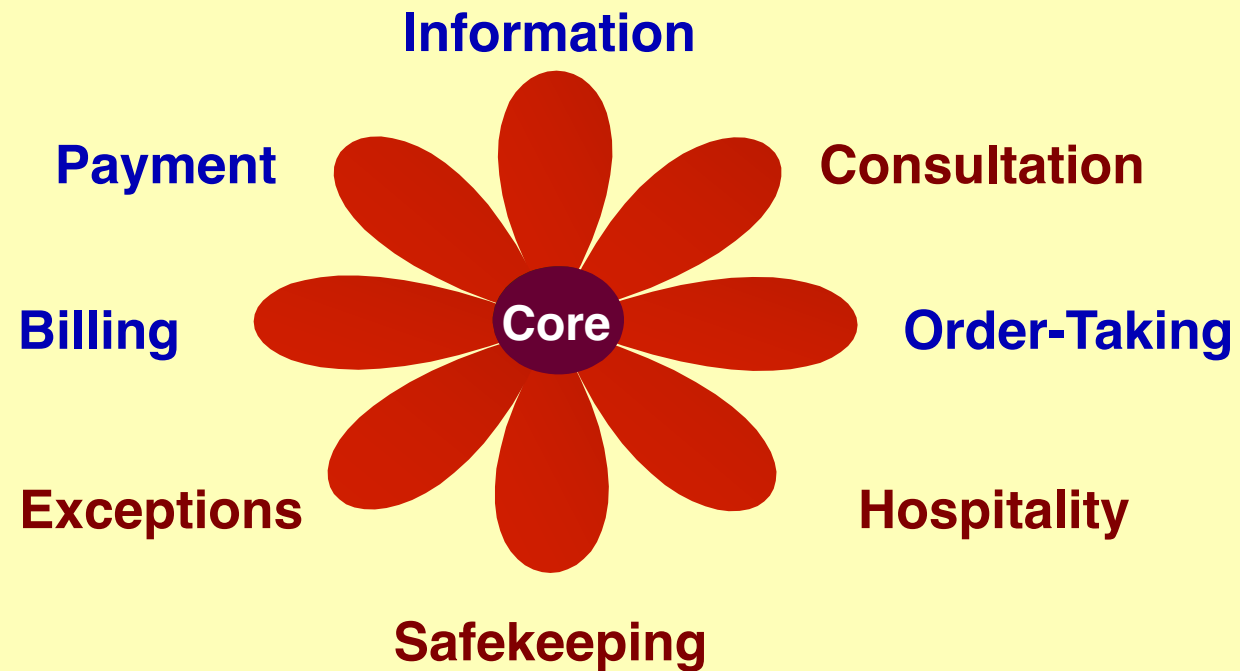
Facilitating

Either needed for service delivery, or help in the use of the core product

Enhancing

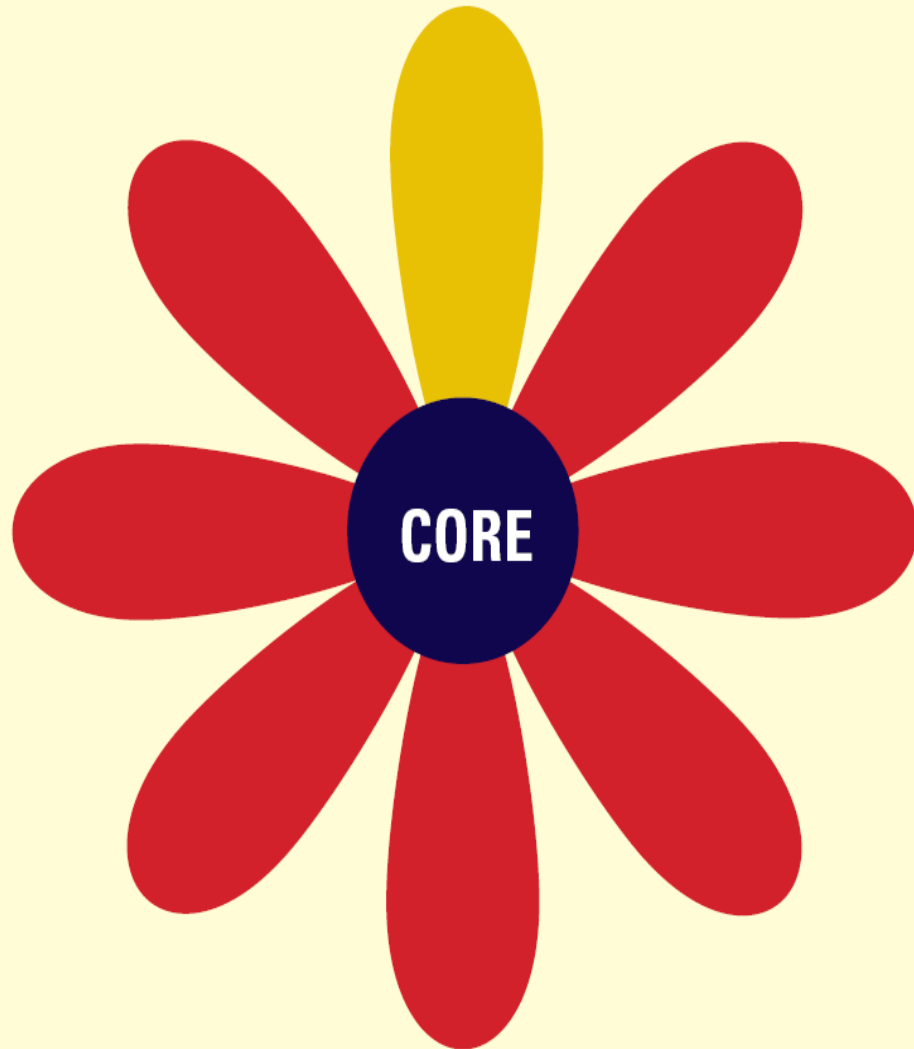
Add extra value for the customer

THE FLOWER OF SERVICE



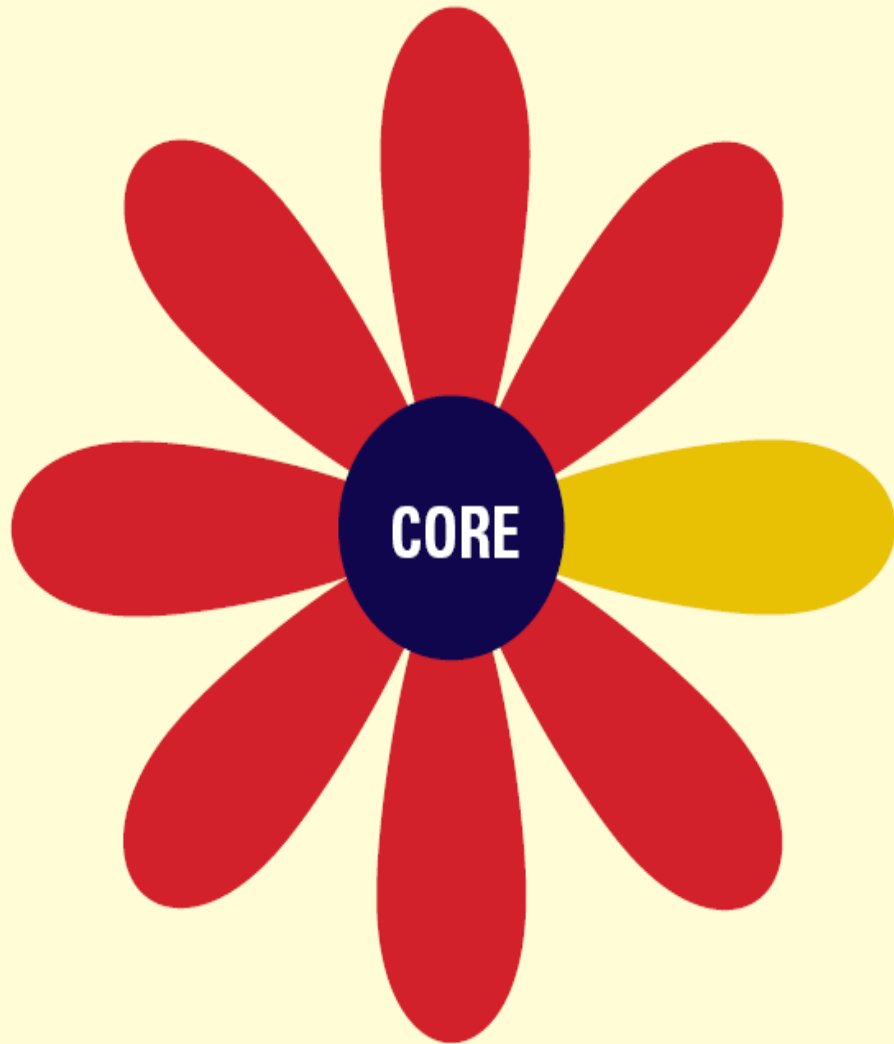
KEY:
Enhancing elements
Facilitating elements

FACILITATING SERVICES – INFORMATION



- Directions to service site
- Schedules/service hours
- Prices
- Reminders
- Warnings
- Conditions of sale/service
- Notification of changes
- Documentation
- Confirmation of reservations
- Summaries of account activities
- Receipts and tickets

FACILITATING SERVICES – ORDER-TAKING



Applications

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

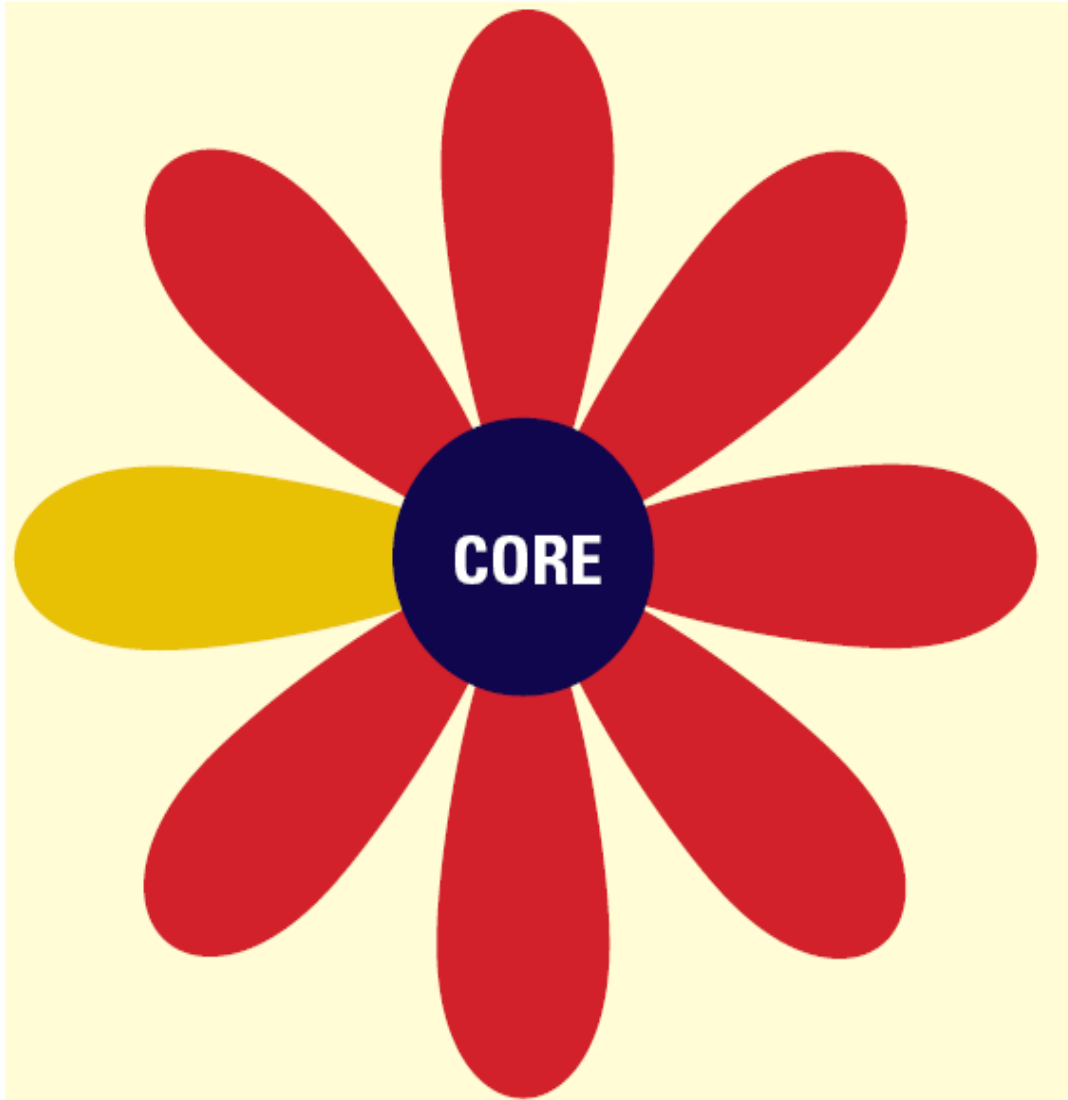
Order Entry

- On-site order fulfillment
- Mail/telephone/e-mail/web order

Reservations and Check-in

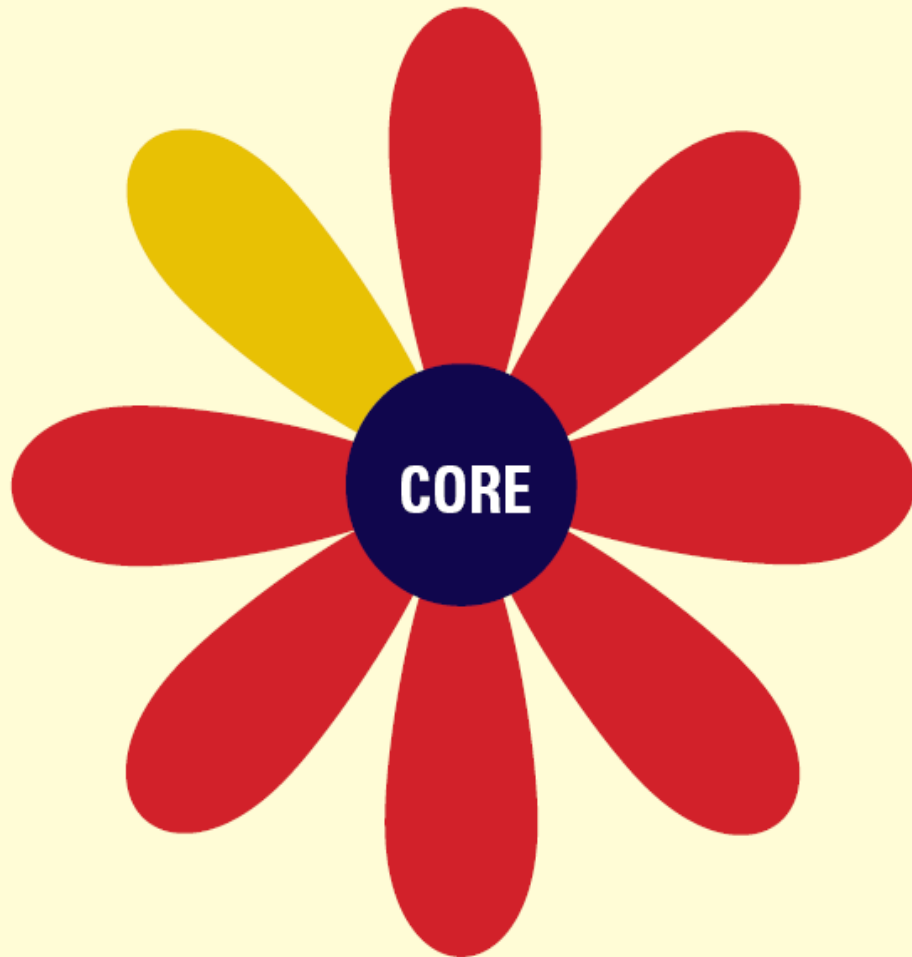
- Seats/tables/rooms
- Vehicles or equipment rental
- Professional appointments

FACILITATING SERVICES – BILLING



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

FACILITATING SERVICES – PAYMENT



Self-Service

- Insert card, cash or token into machine
- Electronic funds transfer
- Mail a check
- Enter credit card number online

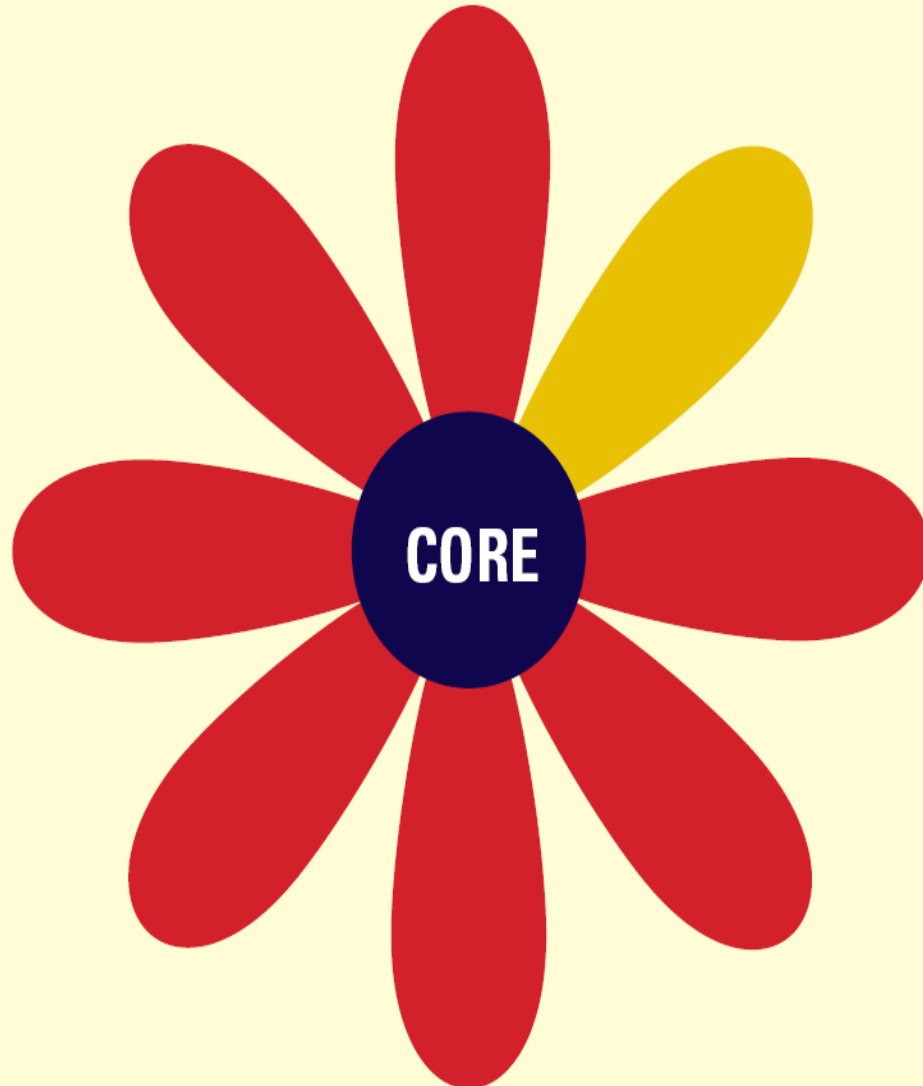
Direct to Payee or Intermediary

- Cash handling or change giving
- Check handling
- Credit/charge/debit card handling
- Coupon redemption

Automatic Deduction from Financial Deposits

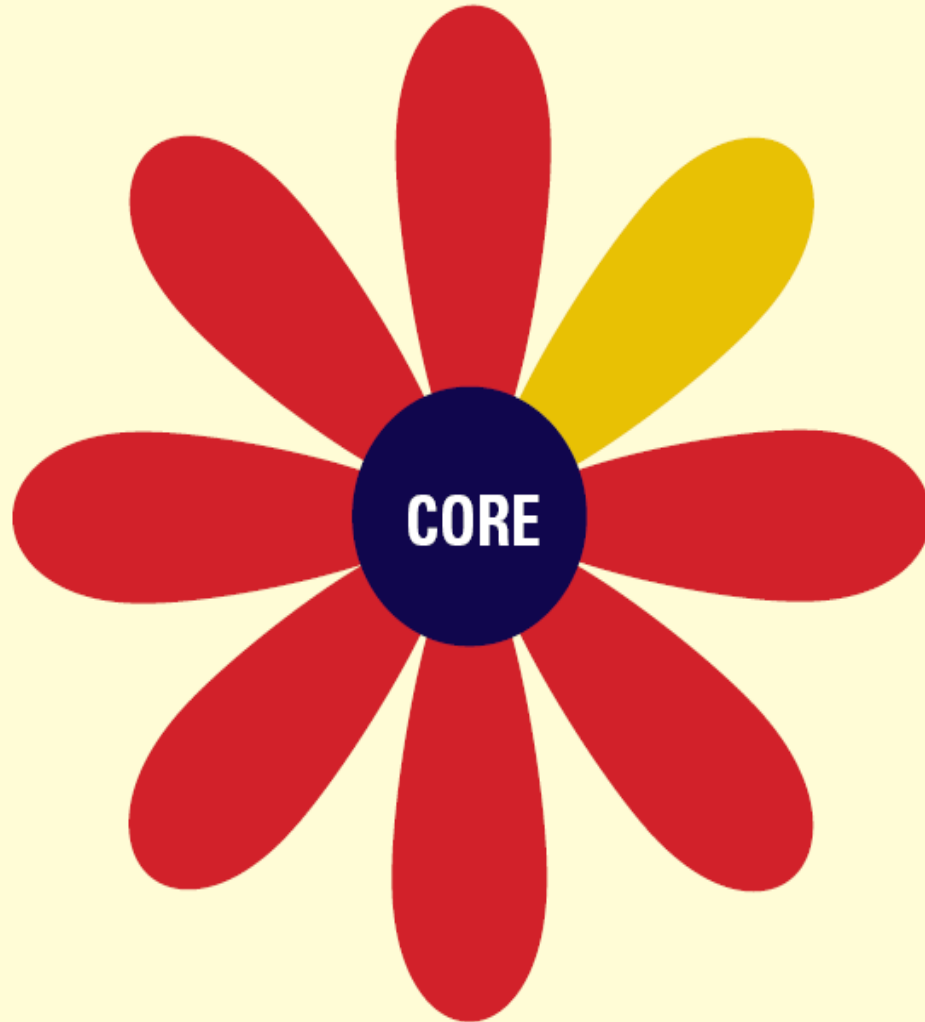
- Automated systems (e.g., machine-readable tickets that operate entry gate)
- Human systems (e.g., toll collectors)

ENHANCING SERVICES – CONSULTATION



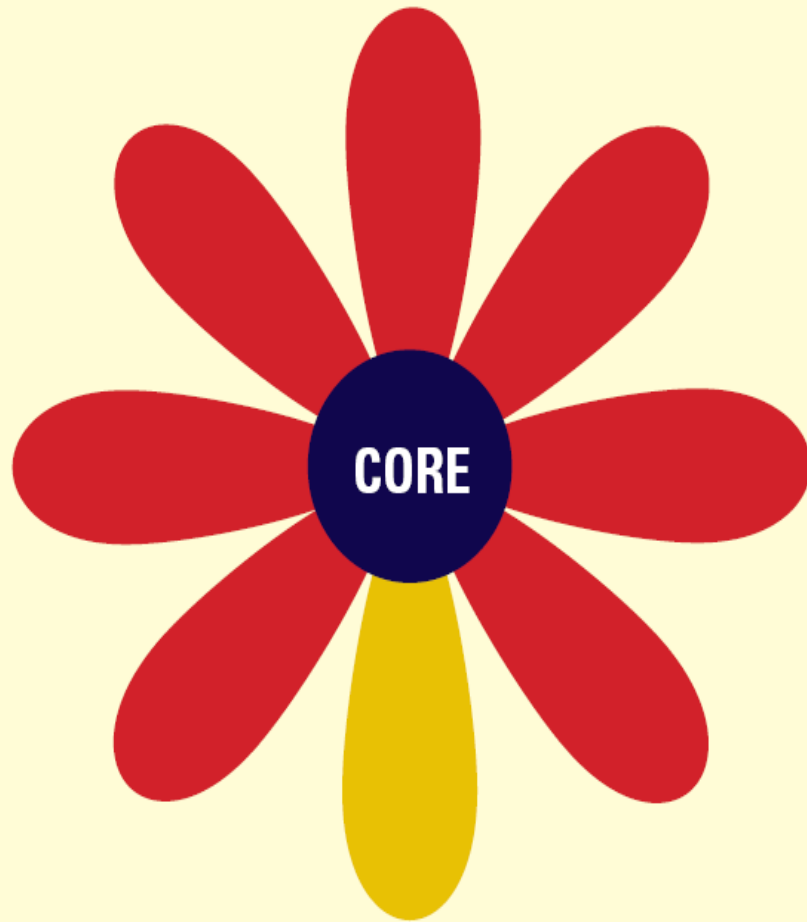
- Customized advice
- Personal counseling
- Tutoring/training in product use
- Management or technical consulting

ENHANCING SERVICES – HOSPITALITY



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

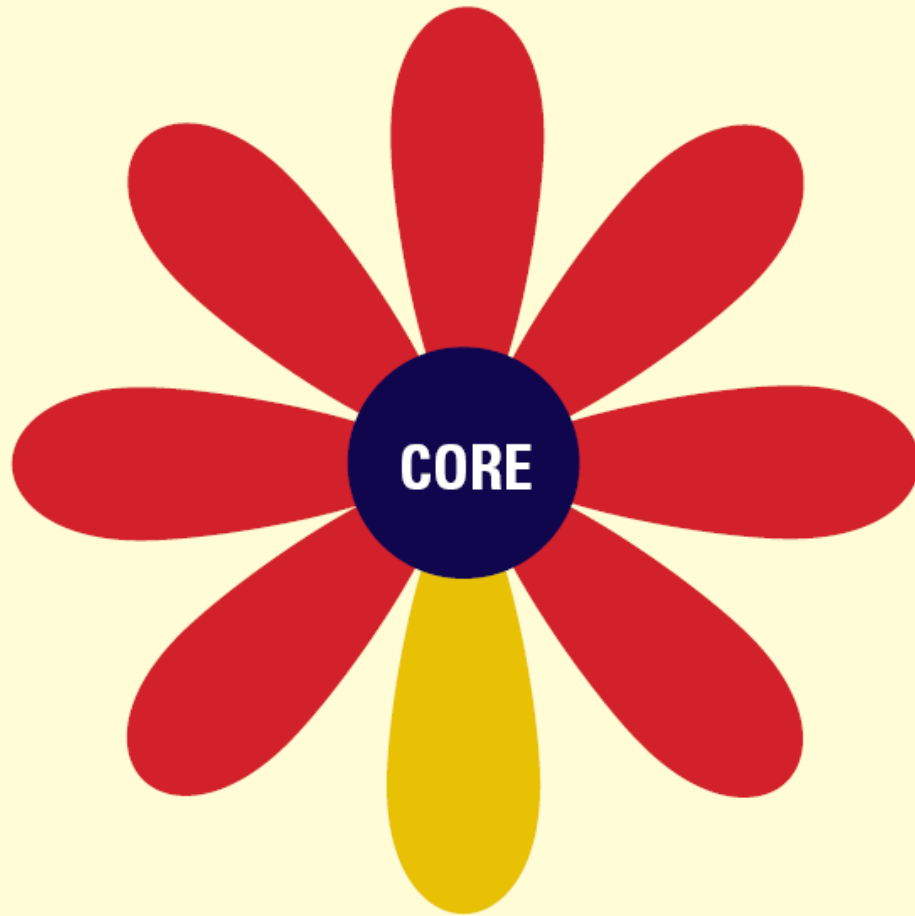
ENHANCING SERVICES – SAFEKEEPING



Caring for Possessions Customer Bring with Them

- Child care, pet care
- Parking for vehicles, valet parking
- Coat rooms
- Baggage handling
- Storage space
- Safe deposit boxes
- Security personnel

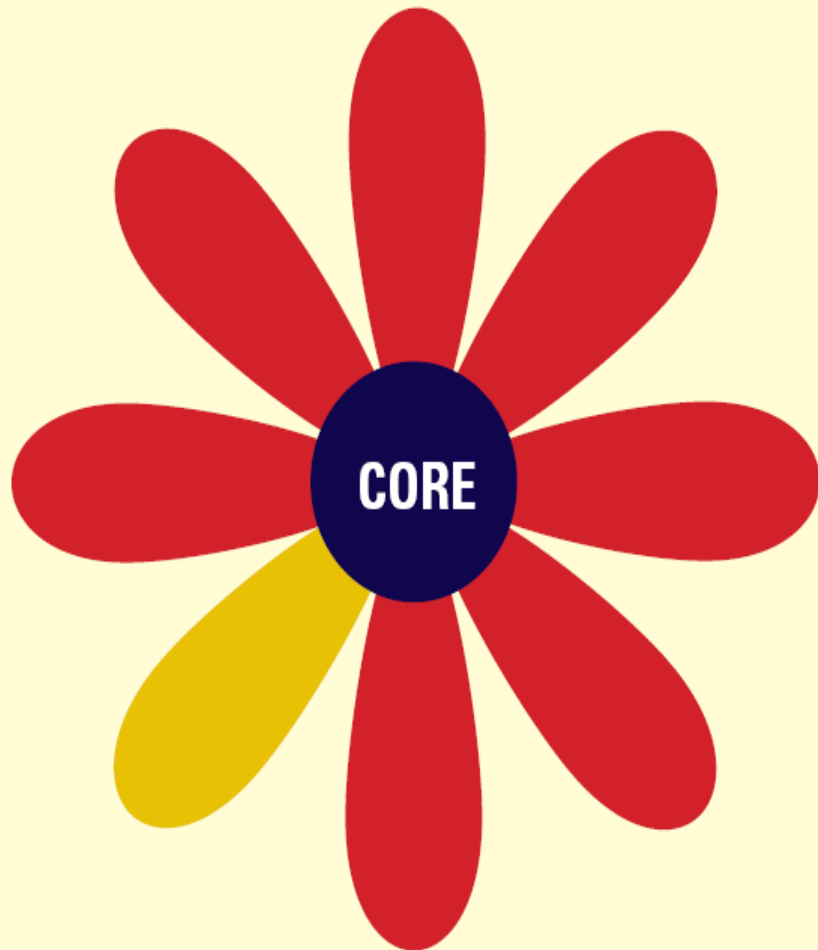
ENHANCING SERVICES – SAFEKEEPING (CONT.)



Caring for Goods Purchased (or Rented) by Customers

- Packaging
- Pickup
- Transportation and delivery
- Installation
- Inspection and diagnosis
- Cleaning
- Refueling
- Preventive maintenance
- Repair and renovation

ENHANCING SERVICES – EXCEPTIONS



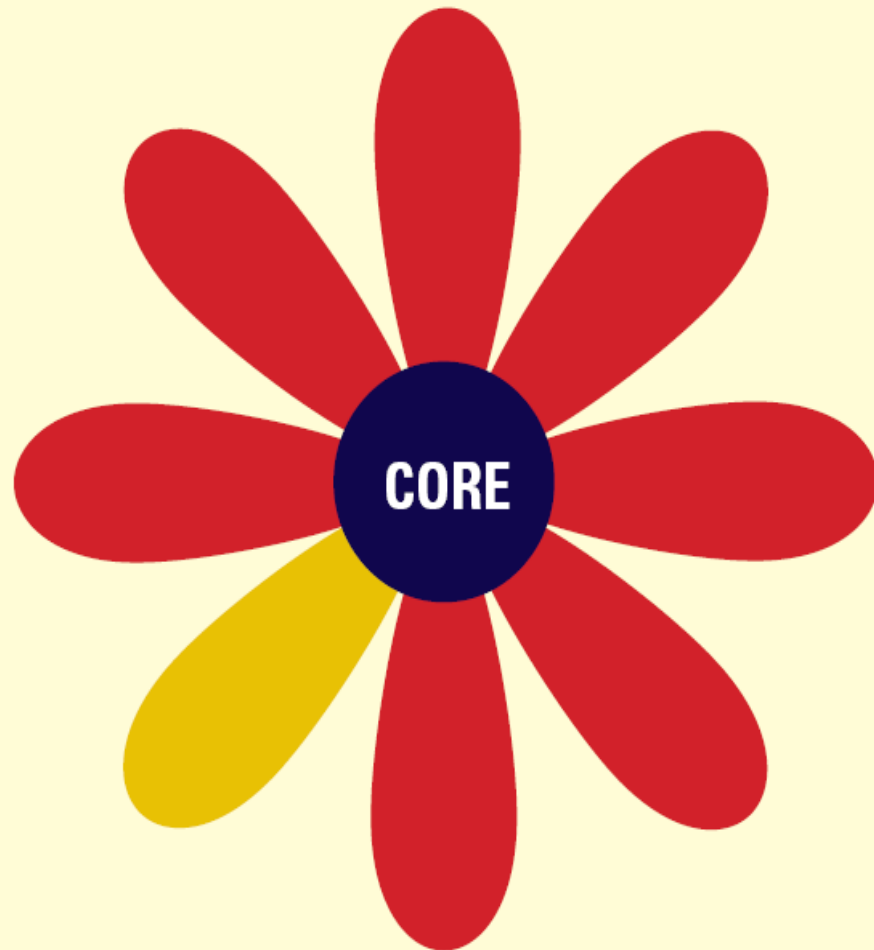
Special Requests in Advance of Service Delivery

- Children's needs
- Dietary requirements
- Medical or disability needs
- Religious observances

Handling Special Communications

- Complaints
- Compliments
- Suggestions

ENHANCING SERVICES – EXCEPTIONS (CONT.)



Problem Solving

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

Restitution

- Refunds and compensation
- Free repair of defective goods

SERVICE PRODUCTS, PRODUCT LINES, AND BRANDS

Service Product

A defined and consistent
“bundle of output”

- Supported by supplementary services (assembly of elements that are built around the core product)
- Differentiated by bundle of output

Product Line

Most service organizations offer a **line of products** rather than just single product.

Broad alternatives for product lines:

- Single brand to cover all products and services
- A separate, stand-alone brand for each offering
- Some combination of these two extremes

EXAMPLE: SERVICE PRODUCT

Prudential Indonesia offers different types of insurance which is composed of a mix of required and elective courses to *meet the diverse needs* of Indonesian customers.

One bundle of output can be **differentiated** from another bundle of output.



EXAMPLE: PRODUCT LINE



PRUDENTIAL

Riders

Riders

- **PRUcrisis cover 34** ▶
- **PRUcrisis cover benefit 34** ▶
- **PRUcrisis cover benefit syariah 34** ▶
- **PRUcrisis cover syariah 34** ▶
- **PRUcrisis income** ▶
- **PRUcrisis income syariah** ▶
- **PRUearly stage crisis cover plus** ▶
- **PRUearly stage crisis cover syariah** ▶
- **PRUhospital & surgical cover** ▶
- **PRUjuvenile crisis cover** ▶
- **PRUjuvenile crisis cover syariah** ▶
- **PRUlink term** ▶
- **PRUlink term syariah** ▶
- **PRUmultiple crisis cover** ▶
- **PRUmultiple crisis cover syariah** ▶
- **PRUparent payor 33** ▶
- **PRUparent payor syariah 33** ▶
- **PRUpayor 33** ▶
- **PRUpayor syariah 33** ▶
- **PRUpersonal accident death** ▶
- **PRUpersonal accident death & disablement** ▶
- **PRUpersonal accident death & disablement syariah** ▶
- **PRUpersonal accident death & disablement plus** ▶
- **PRUpersonal accident death & disablement plus syariah** ▶
- **PRUpersonal accident death plus** ▶
- **PRUpersonal accident death plus syariah** ▶
- **PRUpersonal accident death syariah** ▶
- **PRUprime healthcare** ▶
- **PRUspouse payor 33** ▶
- **PRUspouse payor syariah 33** ▶
- **PRUspouse waiver 33** ▶
- **PRUspouse waiver syariah 33** ▶
- **PRUwaiver 33** ▶
- **PRUwaiver syariah 33** ▶

Investment linked Products

Investment Linked Products

- **PRUlink assurance account** ▶
- **PRUlink capital account** ▶
- **PRUlink edu protection** ▶
- **PRUlink fixed pay** ▶
- **PRUlink investor account** ▶
- **PRUlink syariah assurance account** ▶
- **PRUlink syariah investor account** ▶
- **PRUmy child** ▶

Protection

Credit Insurance For Small Enterprise

Endowment

- **PRUprotector plan** ▶

Health Insurance

Term Life Insurance

- **PRUlife cover** ▶

Wholelife Insurance

- **PRUuniversal life** ▶

Personal Accident

MANAGERIAL IMPLICATIONS

Core products **do not have to have** supplementary elements

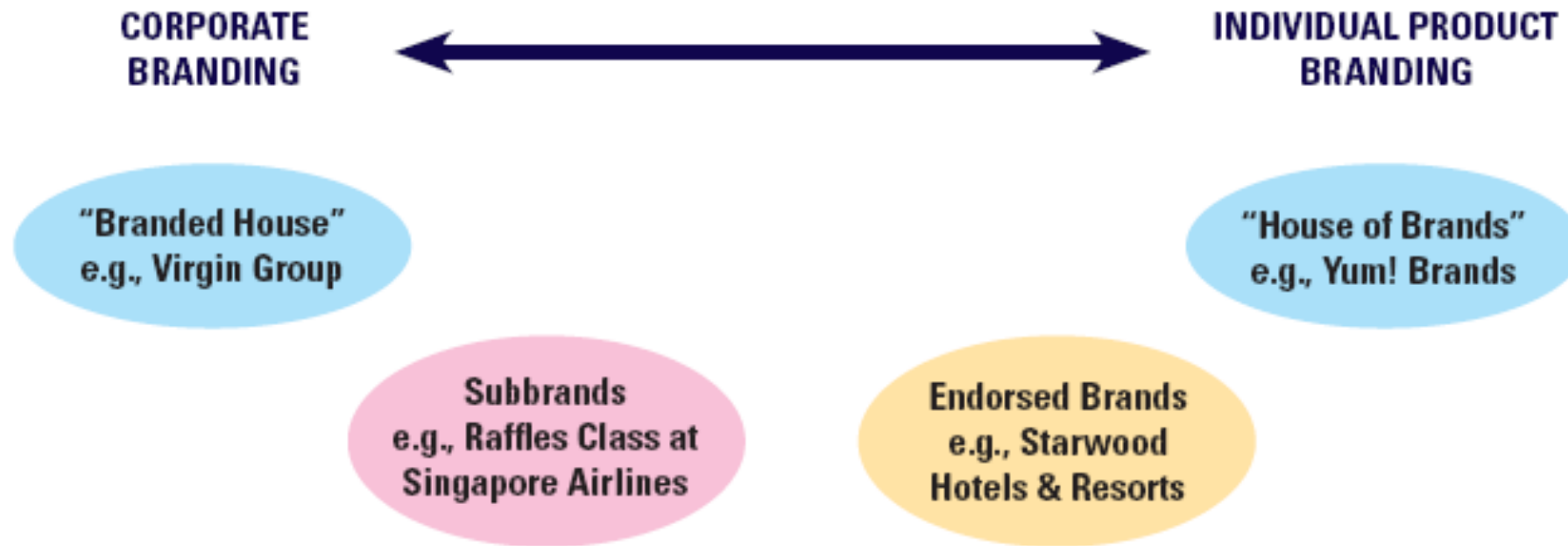
Nature of product helps determine supplementary services offered to enhance value

People-processing and high contact services have **more** supplementary services

Different levels of service can add extra supplementary services for each upgrade in service level

Low-cost, no-frills basis firms needs **fewer** supplementary elements

SPECTRUM OF BRANDING ALTERNATIVES



Source: Derived from Aaker and Joachimsthaler

Most service organizations who offer a line of products rather than just a single product must choose among **four broad branding alternatives**

Branded house (i.e., using a single brand to cover all products and services), **house of brands** (i.e., using a separate stand-alone brand for each offering), or **subbrands** and **endorsed brands** which are both some combination of these two extremes

SERVICE TIERING

CASE: BRITISH AIRWAYS



British Airways offers seven distinct air travel products

Intercontinental Offerings

First (Deluxe Service)

Club World
(Business Class)

World Traveller
Plus (Premier economy)

World Traveller
(Economy)

Intra-European Offerings

Club Europe
(Business Class)

Shuttle

Euro-Traveller
(Economy)

OFFERING A BRANDED EXPERIENCE

Branding can be employed at **corporate** and **product** levels



Corporate brand

- Easily recognized,
- Holds meaning to customers,
- Stands for a particular way of doing business



Product brand

Helps firm communicate **distinctive experiences** and benefits associated with a **specific service concept**

MOVING TOWARDS A BRANDED EXPERIENCE

**Create brand
promise**

**Shape truly
differentiated
customer experience**

**Give employees
skills, tools, and
supporting processes
to deliver promise**

**Measure and
monitor**

A HIERARCHY OF NEW SERVICE CATEGORIES

Major Service Innovations: New core products for previously undefined markets

Major Process Innovations: Using new processes to deliver existing products with added benefits

Product Line Extensions: Addition to current product lines

Process-line Extensions: Alternative delivery procedures

Supplementary Service Innovations: Additions of new or improved facilitating or enhancing elements

Service Improvements: Modest changes in the performance of current products

Style Changes: Visible changes in service design or scripts

REENGINEERING SERVICE PROCESSES

Reengineering – *analyzing* and *redesigning processes* to achieve faster and better performance

Service processes affect **customers** and also **cost**, **speed**, and **productivity**

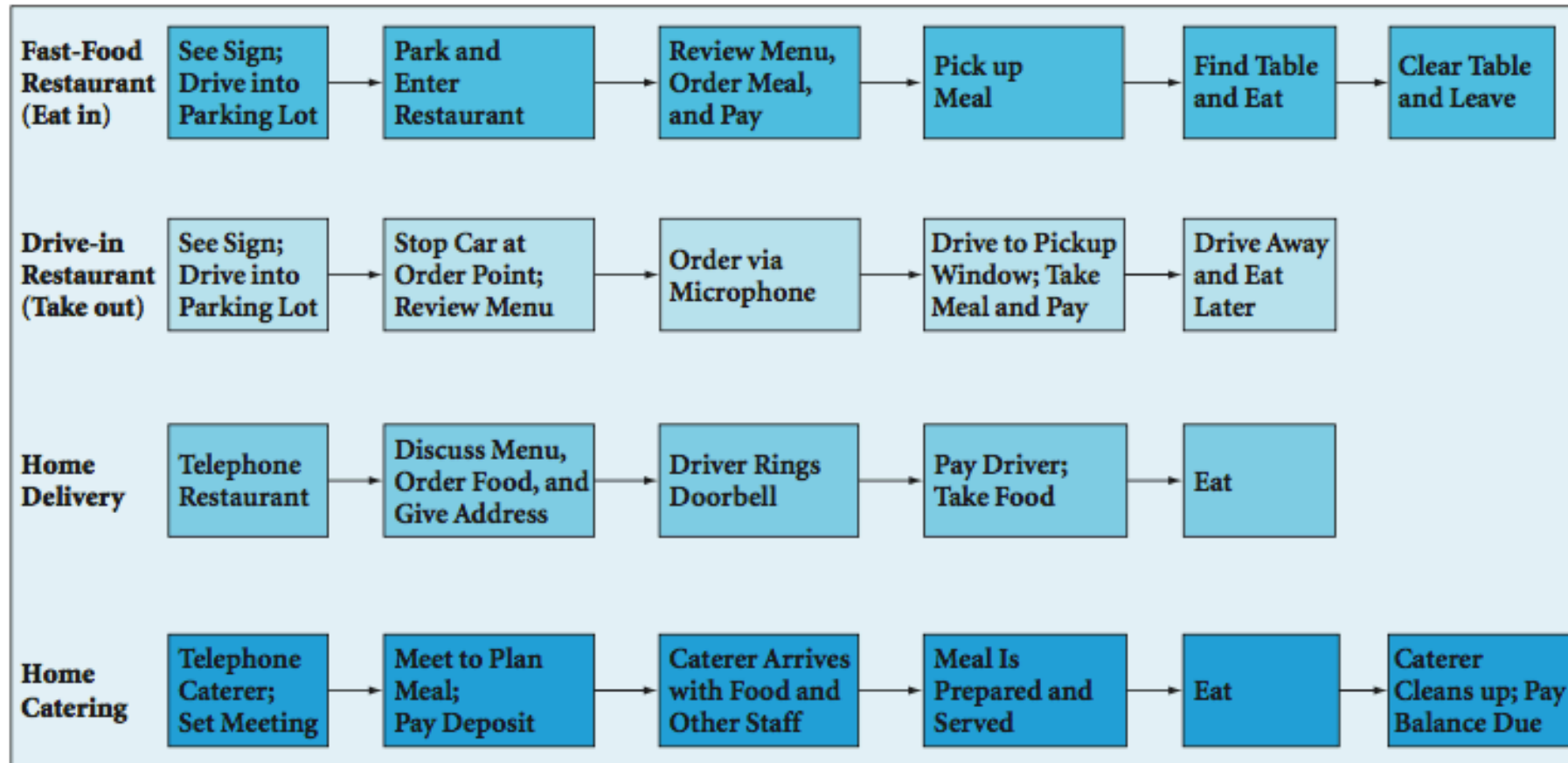
Examination of processes can lead to creation of **alternative delivery methods**:

Add or eliminate supplementary services

Re-sequence delivery of service elements

Offer self-service options

EXAMPLE: ALTERNATIVE SERVICE CONCEPTS FOR MEAL DELIVERY



PHYSICAL GOODS AS A SOURCE OF NEW SERVICE IDEAS

Goods and **services** may become **competitive substitutes** if they offer the same key benefits

Provides an **alternative** to **owning the physical good** that can attain the desired outcome

Any **new good** may create need for after-sales services now and be a source of future revenue stream

CREATING SERVICES AS SUBSTITUTES FOR PHYSICAL GOOD

Shows **four possible delivery alternatives** each for *car travel* and *word processing*, respectively. **Three** of these alternatives present **service opportunities**.

Each alternative is **based on choosing** between **ownership** and **rental** of the necessary physical goods and between **performing self-service** and **hiring** another person to perform the necessary tasks.

Perform Work Oneself

Hire Someone to Do Work

Own a Physical Good

Rent Use of Physical Good

- Drive Own Car
- Use Own Computer

- Rent a Car and Drive it
- Rent Use of Computer

- Hire a Chauffeur to Drive
- Hire a Typist to Type

- Hire a Taxi or Limousine
- Send Work out to a Secretarial Service

SERVICE IDEAS FROM PHYSICAL GOOD

CASE: CATERPILLAR



Caterpillar, the well-known manufacturer of heavy-duty earthmoving and construction equipment, has developed a *portfolio of service businesses* to **complement** its highly cyclical **manufacturing business**.

Source:

(1) [http://s7d2.scene7.com/is/image/Caterpillar/Excavator-C835883?\\$cc-s\\$](http://s7d2.scene7.com/is/image/Caterpillar/Excavator-C835883?$cc-s$)

(2) [http://s7d2.scene7.com/is/image/Caterpillar/Bulldozer-C811296?\\$cc-s\\$](http://s7d2.scene7.com/is/image/Caterpillar/Bulldozer-C811296?$cc-s$)

ACHIEVING SUCCESS IN DEVELOPING NEW SERVICES

Services are not immune to high failure rates that plague **new manufactured products**

In developing new services:

Core product is often of secondary importance, many innovations are in supplementary services or service delivery

Ability to **maintain quality** of the total service offering is key

Accompanying marketing support activities are vital

Market knowledge is of utmost importance

SUCCESS FACTORS IN NEW SERVICE DEVELOPMENT

Market synergy

- Good fit between new product and firm's image
- Advantage in meeting customers' needs
- Strong support from firm during and after launch
- Understands customer purchase decision behavior

Organizational factors

- Strong inter-functional cooperation and coordination
- Internal marketing to educate staff on new product and its importance

Market research factors

- Scientific studies conducted early in development process
- Product concept well defined before undertaking field studies

ORGANIZED BY:

Department of Business Management

Faculty of Business & Management of Technology

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