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## Prezentace předmětu: Marketing of services

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# NEW SERVICE DESIGN

*The aim of this presentation is to explain how new service can be designed through proces with possible critical issues*

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# NEW SERVICE DESIGN

Lecture structure

**Service economic description**

**The service concept**

**The components of service**

**Step-by-step service product  
development**

**Critical issues**



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- Services are economic activities that create value and provide benefits for customers. It is an act or performance offered by one person another and which is especially separately identifiable, intangible, non transfer of ownership and perishable in character.
- Services includes a wide variety of activities i.e. utilities, law enforcing, civil, administrative and defense, transport and communication, distribution traders, business profession, leisure and recreation.



- The growth of service industry is the result of economic development of the society and socio-cultural change among the people.
- Sometimes, it may be possible that the specific service industry is the result of a combination of several reasons.



- Services are economic activities that create value and provide benefits to customers at specific times and places as specified by the recipient of the service. Services are those separately identifiable, essentially intangible activities which provide want-satisfaction, and that are not necessarily tied to the sale of a product or another service.
- To produce a service may or may not require the use of tangible goods. However when such use is required, there is no transfer of title (permanent ownership) to these tangible goods.



- The service concept is the core of the service offering. Two levels of service concept are possible. The ‘general’ service concept refers to the essential product being offered (e.g. a car hire company offers solutions to temporary transportation problems). In addition, there will be ‘specific’ service concepts at the core of specific service (e.g. candle-lit dinners or oriental foods for restaurants).



- The service concept has to be translated into the ‘service formula’.
- This translation process, implies not only a clear definition of the service concept (i.e. what consumer benefits is the service firm aiming to serve; which service attributes best express the consumer benefit).



- It also demands attention to the service process; that is the ways and means the service is produced distributed and consumed' the market segment has to be identified' the organization-client interface has to be organized in a network' the service image has to facilitate clear communication between the service organization and its potential clients.



- The service concept is the definition of the offer in terms of the bundle of goods and services sold to the consumer plus the relative importance of this bundle to the consumer.
- It enables the manager to understand some of the intangibles, elusive and implicit that affect the consumer decision and to design and operate his organization to deliver a total service package that emphasizes the important element of that package.



- The marketing concept dictates that marketing decisions should be based upon customer needs and wants.
- Buyers purchase goods and services to satisfy their needs and wants.
- Thus when a buyer engages in a market transaction he perceives a bundle of benefits and satisfaction to be derived from that transaction.



- From the sellers' view point however the market offering can be divided into its component parts.
- The marketing mix is the convenient means of organizing all the variables controlled by the marketer that influence transactions in the marketplace.
- It is a 'checklist approach' where marketer's attempt to list and organize the variables under their control which may be important in influencing transactions in the market place.



- The products that firms market do differ in extent to which they involve the transfer of ownership of physical goods.
- However, intangible components inevitably play a pivotal role in winning and maintaining a satisfied customer.
- To stress this point we will refer to all market offerings of firms as their services and point out that these services can be broken down into four main components.

# The components of a service

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- 1. Service delivery**
- 2. Service environment**
- 3. Service product**
- 4. Physical product**



## Service delivery

- Is the result of “planning your work, “and the service delivery is the result of working your plan. For example, the service may be that a fast-food customer is greeted cheerfully within ten seconds, but the actual service delivery may be hindered by the counter employee joking in the back of the store for five minutes with other employees.



## Service environment

- It can also signal the intended market segment and position the organizations.
- For example, a restaurant near a university campus might signal that it is catering to college students by putting college memorabilia and pictures of students on the walls.



## Service product

- It is the core performance purchased by the customer, the flow of events designed to provide a desired outcome.
- It refers to that part of the experience apart from the transfer of physical goods and typically includes interactions with the firm's personnel'.



## Physical product

- Physical product is whatever the organization transfers to the customer that can be touched. It is tangible and physically real. Examples include houses, automobiles, computers, books, hotel soap and shampoo, and food.



## Idea generation

- Ideas may be generated in many ways. They can arise inside the organization and outside it, they can result from search procedures (e.g. marketing research) as well as informally; they may involve the organization in creating the means of delivering the new service product or they may involve the organization in obtaining rights to services product, like franchise. .



## Idea Screening

- This stage is concerned with checking out which ideas will justify the time, expense and managerial commitment of further research and study. Two features usually associated with the screening phase are:
  - The establishment or use of previously agreed evaluative criteria to enable the comparison of ideas generated (e.g. ideas compatible with the organization's objectives and resources).
  - The weighing, ranking and rating of the ideas against the criteria used.



## Concept development

- This phase is concerned with translating the service product idea, where the possible service product is defined in functional and objective terms, into a service product concept, the specific subjective consumer meaning the organization tries to build into the product idea.



## Concept development

- Concept testing is applicable in services contexts as well as in goods' contexts. Concept testing consists of taking the concepts developed after the stages of idea generation and idea screening and getting reactions to them from groups of target customers.



## **Business Analysis**

- This stage is concerned with translating the proposed idea into a firm business proposal.
- It involves undertaking a detailed analysis of the attractiveness of the idea in business terms and its likely chances of success or failure.



## Business Analysis

- A substantial analysis will consider in detail aspects like the manpower required to implement the new service product idea, the additional physical resources required, the likely estimates of sales, costs and profits over time, the contribution of the new service to the range on offer, likely customers reaction to the innovation and the likely response of competitors.



## Development

- The tangible elements of the service product will be designed and tested.
- Unlike goods the development stage of new service product development involves attention to both the tangible elements of the service product delivery system.



## Testing

- Testing of new service products may not always be possible. Airlines may introduce a new class of service on a selected number of routes or a bank may make a new service available initially on a regional basis like automated cash dispensers. But some new service products do not have such an opportunity. They must be available and operate to designed levels of quality and performance from their introduction.



## Commercialisation

- This stage represents an organization's commitment to a full-scale launch of the new service product. The scale of operation may be relatively modest like adding an additional service to an airline's routes or large scale involving the national launch of fast service footwear repair outlets operating on a concession basis.



## Commercialisation

- In undertaking the launch, the four points may apply:
- When to introduce the new service product.
- Where to launch the new service product, whether locally, regionally nationally or internationally.
- To whom to launch the new service product usually determined by earlier exploration in the new service product development process.
- How to launch the new service product. Unit trusts for example may offer a fixed price unit on initial investments for a certain time period.



## Branding

- Branding, brand development and brand acceptance are usually not prominent in the marketing of services'. Certainly branding is difficult because of the problems of maintaining consistency of quality in service settings.
- Example: In a study of brand loyalty in the context of the computer rental market it was found there was no one reason why customers terminated rental agreements or maintained or renewed their agreements.



## Patent

- The intangibility of services means that there are no patents. It is thus difficult to prevent competitors from copying service innovations though trade names can be protected.
- This means that innovations can have short life-cycles because they are easy to copy.



## Warranty

- Warranties are usually related to product sales. However they can be an important elements in the strategy of service marketers. In law a warranty is an undertaking on the vendor's part that the thing sold by the vendor is fit for use or fulfills specified conditions. Such undertakings are of two kinds, implied and express.



## Warranty

- Warranties can be of importance in marketing certain services. For example investment schemes which guarantee payments in spite of changes in external conditions can be a useful factor in marketing financial services.



## After-sale service

- After-sale service is usually associated with the sale of tangibles. However it too has relevance to services markets.
- For example, an airline can assist passengers to arrange hire cars and book hotels as part of their service; an insurance company can advise clients on changes they should make to their policies as their personal circumstances change; a stockbroker can assist the client to readjust a portfolio of shares; a dentist can provide a check-up some time after providing dental treatment.

# Summary



- We have learned there are the approaches to service design
- We have introduced the service concept which is the core of the service offering.
- We presented new service design processes consisting of: Idea Generation, Idea screening, Concept Development, Concept testing, Business analysis, Development, Testing, Commercialization.
- There are also few critical issues in developing new service: Branding, Patent, Warranty, After-sale Service.