

## Service Strategy

- ▣ Nature of Service\*
- ▣ Service Strategies
- ▣ Strategies and Operations
- ▣ Service Package\*

## Nature of Service

- **Customer Participation:** attention to facility design, opportunities for co-production, concern for customer and employee behavior 顧客參與
- **Simultaneity:** opportunities for personal selling, interaction creates customer perceptions of quality 同時性
- **Perishability:** cannot inventory, opportunity loss of idle capacity, need to match supply with demand 易滅性
- **Intangibility:** creative advertising, no patent protection, importance of reputation 無形性
- **Heterogeneity:** customer involvement in delivery process results in variability 顧客異質性
- **Nontransferrable Ownership:** waiting and maintenance 租用

## Service: Moving to Experience Economy

Economy	Agrarian	Industrial	Service	Experience	
Economic Offering	Food	Packaged goods	Commodity service	Consumer services	Business services
Function	Extract	Make	Deliver	Stage	Co-create
Nature	Fungible	Tangible	Intangible	Memorable	Effectual
Attribute	Natural	Standardized	Customized	Personal	Growth
Method of Supply	Stored in bulk	Inventoried	Delivered on demand	Revealed over time	Sustained over time
Seller	Trader	Producer	Provider	Stager	Collaborator
Buyer	Market	Customer	Client	Guest	Collaborator
Expectation	Quantity	Features	Benefits	Sensations	Capability

## Experience Economy: The Alamo Drafthouse

New service concept for an old business:  
A movie theater that serves burgers or a bar that shows movies?



How to serve food and alcohol without bothering other customers?

## Case: The Alamo Drafthouse



Classic films and special events to attract customers who have a sophisticated taste in movies.



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## I. Service Strategy: Cost Leadership

There is usually a segment of the market that buys solely on the basis of **low price**.

- Standardizing a Custom Service (fast haircut)
- Reducing the Personal Element in Service Delivery (self-service, web site)
- Reducing Network Costs (hub and spoke)
- Taking Service Operations Off-line (drop-off/pick-up+central facility)



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## Service Strategy: Differentiation

Differentiation in service means being **unique** in brand image, technology use, features, or reputation.

- Making the Intangible Tangible (complimentary towels)
- Customizing the Standard Product (Burger King)
- Reducing Perceived Risk (service guarantee)
- Giving Attention to Personnel Training (Southwest)
- Controlling Quality



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## Service Strategy: Focus

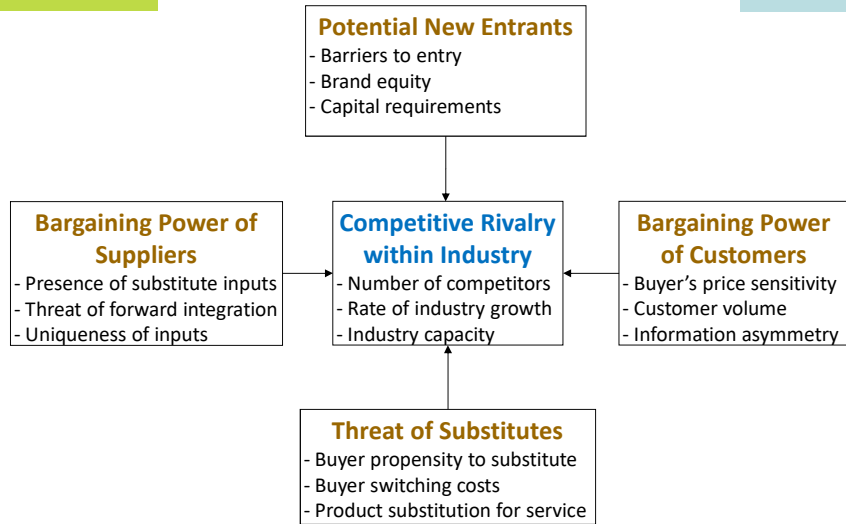
Cost and differentiation for a particular **target market**, not the entire market.

- Buyer Group: (USAA insurance and military officers)
- Service Offered: (Shouldice Hospital and hernia patients)
- Geographic Region: (neighborhood restaurant)

Target market could be too small.

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## Porter's Five Forces Model



## Digitization: Threat of Substitutes



## SWOT Analysis

### Strengths

- What are your company's advantages?
- What do you do better than anyone else?
- What unique resources do you have?
- What do people in your market see as your strengths?

### Weaknesses

- What could you improve?
- What should you avoid?
- What factors lose sales?
- What are people in your market likely to see as a weakness?

### Opportunities

- What are your competitors' vulnerabilities?
- What are the current market trends?
- Does technology offer new service options?
- Are there niches in the market your organization can fill?

### Threats

- What obstacles do you face?
- What are your competitors doing?
- Is your position threatened by changing technology?
- Do you have cash-flow problems?

## How Customers Select a Service Provider

- |                   |                           |
|-------------------|---------------------------|
| • <b>Price</b>    | (Quality surrogate)       |
| • Availability    | (24 hour ATM)             |
| • Speed           | (Avoid excessive waiting) |
| • Convenience     | (Site location)           |
| • Dependability   | (On-time arrival)         |
| • Personalization | (Know customer's name)    |
| • <b>Quality</b>  | (Perceptions important)   |
| • Reputation      | (Word-of-mouth)           |
| • Safety          | (Air travel)              |

## Winning Customers in the Marketplace

- **Service (Order) Qualifier:** To be taken seriously a certain level must be attained on the competitive dimension, as defined by other market players.
  - Examples are cleanliness for a fast food restaurant or safe aircraft for an airline.
- **Service (Order) Winner:** The competitive dimension used to make the final choice among competitors.
  - Examples are price or reputation.

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## Order Qualifiers vs. Order Winners



## II. Strategies and Operations

**Low price** Standardized work, maximum use of resources, reduce design to reduce material cost.

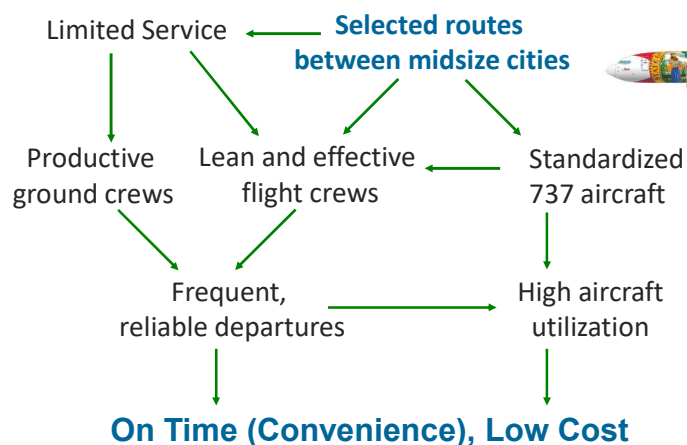
**High quality** Higher cost for product and service design, and process design, and more emphasis on supplier quality.

**Speed** Extra capacity, automation, and higher levels of popular inventory items.

**Convenience** More stores, on line services, express delivery

**Product or service variety** High variation in resource; higher worker skills, more inventory and complex management.

## Southwest Airlines





## Formulating a Strategic Service Vision



## Strategic Service Vision



Service Delivery System	Operating Strategy	Service Concept	Target Market Segment
<ul style="list-style-type: none"> <li>• Use only Boeing 737 to control maintenance &amp; operating costs</li> <li>• Ticket Vending Machine</li> <li>• Hire cabin crew based on attitude</li> </ul>	<ul style="list-style-type: none"> <li>• Quick turnaround at gate results in high utilization of aircraft</li> <li>• No seating assignment</li> <li>• Fun cabin atmosphere to differentiate service</li> </ul>	<ul style="list-style-type: none"> <li>• Short flights with frequent departures</li> <li>• Use of inner-city or low traffic airports avoids congestion</li> <li>• Simplicity: No first class. No meals</li> </ul>	<ul style="list-style-type: none"> <li>• State of Texas residents</li> <li>• Business traveler who drives because of inadequate service</li> <li>• Inexpensive family travel on weekends</li> </ul>

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### III. Competitive Role of Information

	Online (Real time)	Offline (Analysis)
External (Customer)	<b>Creation of barriers to entry:</b> Reservation system Frequent user club Switching costs	<b>Database asset:</b> Selling information Development of services Micromarketing
Internal (Operations)	<b>Revenue generation:</b> Yield management Point of sales (POS) Expert systems	<b>Productivity enhancement:</b> Inventory Status Data envelopment analysis (DEA)

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### IoT and Data Analytics in Services

- IoT applications in health care involve medical devices and applications that connect to health care IT systems.
- Examples include remote monitoring of patients with chronic conditions, tracking patient medication orders, and locating patients admitted to hospitals.
- Businesses use data analytics to describe, analyze, and predict business performance to gain actionable insights that can foster smarter decisions and better outcomes.



## Limits in the Use of Information

- Anti-competitive (membership, frequent flyers)
- Fairness (yield management)
- Invasion of Privacy (selling database)
- Data security and reliability (credit report)



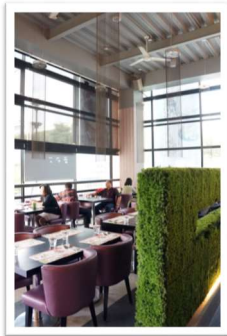
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## IV. The Service Package

- **Supporting Facility:** The physical resources that must be in place before a service can be sold. 服務場所
- **Facilitating Goods:** The material consumed by the buyer or items provided by the consumer. 服務用品
- **Information:** Operations data or information that is provided to enable efficient and customized service.
- **Explicit Services:** Benefits readily observable by the senses. The essential or intrinsic features. 外顯價值
- **Implicit Services:** Psychological benefits or extrinsic features which the consumer may sense only vaguely. 隱含價值

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## Designing a Service Package



1/2 Table reservation

1 Restaurant: Bellavista

1. Select Date:

2. Select Time:

Branch: 0100 10:30 11:00 11:30

Lock: 12:00 12:30 13:00 13:30 14:00 14:30

15:00

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## Criteria for Evaluating the Service Package

### Supporting Facility

- Location:** 地點
  - Is it accessible by public transportation?
  - Is it centrally located?
- Interior decorating:** 裝潢
  - Is the proper mood established?
  - Quality and coordination of furniture.
- Supporting equipment:** 設備
  - Does the dentist use a mechanical or air drill?
  - What type and age of aircraft does the charter airline use?

### Facilitating Goods

- Consistency:** 品質
  - Crispness of french fries.
  - Portion control.
- Quantity:** 份量
  - Small, medium, or large drink.

### Information

- Accurate:** 正確
  - Up-to-date customer addresses.
  - Correct credit report.
- Timely:** 更新
  - Severe storm warning.

- Architectural appropriateness:** 風格
  - Renaissance architecture for university campus.
  - Unique recognizable feature of a blue tile roof.
  - Massive granite facade of downtown bank.
- Facility layout:** 動線
  - Is there a natural flow of traffic?
  - Are adequate waiting areas provided?
  - Is there unnecessary travel or backtracking?

- Selection:** 選擇
  - Variety of replacement mufflers.
  - Number of menu items.
  - Rental skis available.

- Useful:** 效用
  - X-ray to identify a broken bone.
  - Inventory status.

## Criteria for Evaluating the Service Package

### Explicit Services

1. *Training of service personnel:* 職訓  
Is the auto mechanic certified by the National Institute for Automotive Service Excellence (NIASE)?  
To what extent are paraprofessionals used?  
Are the physicians board certified?
2. *Comprehensiveness:* 服務完整  
Discount broker compared with full service.  
General hospital compared with clinic.

### Implicit Services

1. *Attitude of service:* 態度  
Cheerful flight attendant.  
Police officer issuing traffic citation with tact.  
Surly service person in restaurant.
2. *Atmosphere:* 氛圍  
Restaurant decor.  
Music in a bar.  
Sense of confusion rather than order.
3. *Waiting:* 等候  
Joining a drive-in banking queue.  
Being placed on hold.  
Enjoying a martini in the restaurant bar.

3. *Consistency:* 品質  
Airline's on-time record.  
Professional Standards Review Organization (PSRO) for doctors.
4. *Availability:* 可用  
Twenty-four-hour ATM service.  
Is there a website?  
Is there a toll-free number?

4. *Status:* 身分等級  
Flying first-class.  
Box seats at sports event.
5. *Sense of well-being:* 福利  
Large commercial aircraft.  
Well-lighted parking lot.
6. *Privacy and security:* 隱私/安全  
Attorney advising client in private office.  
Magnetic key card for hotel room.
7. *Convenience:* 便利  
Use of appointments.  
Free parking.

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## Criteria for Evaluating the Service Package

### Supporting Facilities

- ✓ accessible by public transportation?
- ✓ Interior decorating
- ✓ type of coffee machine

### Facilitating Goods

- ✓ selection of coffee beans, cakes
- ✓ tableware

### Information

- ✓ menu design, web site
- ✓ customer loyalty program



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## Criteria for Evaluating the Service Package

### Explicit Service

- ✓ employee uniform
- ✓ training program
- ✓ Wi-Fi, free parking

### Implicit Service

- ✓ waiting time
- ✓ attitude of service
- ✓ atmosphere



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## Return to Alamo Drafthouse

- Identify the target market.
- Define the service concept.
- What is the service winner?
- Describe the service package.
- What are the weakness and threats?

