

# Innovation in Services: From Service Concepts to Service Experiences

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## ABSTRACT

Identifying the nature of service experiences is recognised as being of primary importance in the shaping of an enhanced competitive position for industry; however service managers often have difficulty articulating the true nature of their service concept. The definition of service concept is a fundamental part of the strategic advantage seeking processes of service design, service development and service innovation. In response to the competitive imperative for improved product/service development, this paper will develop a conceptual model of the components of service experience and the process by which the service concept can be articulated.

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## Introduction

The term New Product Development originated in the manufacturing sector but has more recently come to represent any improvement or alteration to product or service attributes and so is often used interchangeably in discussing service development. Booz, Allen & Hamilton [2] and Lovelock [11] categorised product and service developments as encompassing a myriad of activities from major innovations and new to the world products to lesser magnitude changes in style and repositioning activities. The process of produce/service development has been dealt with by a number of eminent service operations researchers and a number of models have been developed which map the sequence of activities from the setting of strategic objectives, through idea/concept development, service design, development, testing and implementation. A common component of most all of these models is the stage of service concept development. Menor, Tatikoda & Sampson [13] identify that new product development researchers have defined 2 macro-stages within the overall product development process; the fuzzy front end and the execution orientated back end. Khurana & Rosenthal [10] define the “fuzzy front-end” of the process as the portion of the development effort that consists of the activities involved in determining what service concept should be developed, this includes activities such as strategic positioning, idea generation and concept development /refinement. The definition of service concept is a fundamental part of the strategic advantage seeking processes of service design, service development and service innovation; however many practitioners

have difficulty articulating the true nature of their service concept. In response to the competitive imperative for improved service innovation, this paper will seek to clarify the components of service concepts and the make clear the process by which the service concepts can be articulated.

## The Service Concept

Identifying the nature of service experiences is recognised as being of primary importance in the shaping of an enhanced competitive position for industry; however service managers often have difficulty articulating the true nature of their service concept [6]. The definition of service concept is a fundamental part of the strategic advantage seeking processes of service design, service development and service innovation [16].

As services are driven to become more experiential and therefore increasingly intangible, the articulation of service concept invariably becomes more difficult but also more necessary [1]. Definitions of service concept are of value to service managers in understanding what a service concept should be, but many do not go far enough in assisting practitioners in the arduous task of actually defining their individual service concept.

In reviewing the existing definitions of service concept, a number of core themes emerged from the varied definitions. The concept of value is at the centre of a number of service concept definitions and the service concept is seen by many as a means for the service provider to identify the value being delivered to customers and the value expected by customers from the organization. The term value is commonly used in association with monetary worth, however Ziehl and Bitner [17] define value as an individualized customer perception based on a composite judgement of a number of product/service attributes such as perceived quality, perceived costs; monetary or personal and other high level abstractions, intrinsic and extrinsic attributes such as prestige, accessibility and performance.

The service concept has also commonly been defined in terms of the service package; Collier [5] coins the phrase “Customer Benefit Package” whereas Goldstein et al [7] see it as the mix of physical and non-physical components that combine to create the service. Marketing theorists [12, 17] have sought to identify the sub-components of the service package using the numerous P-models which encompasses the elements of the service product – product, process, place, physical evidence, people, productivity plus additional marketing elements of price and promotion.

The need to incorporate customer requirements into the definition of service concept is directly identified by Khurana & Rosenthal [10] and Goldstein et. al. [7]. The need to articulate how customer needs are to be satisfied is dealt with through the inclusion of the service process [12] and the form and functions of the service operation [9, 4]. The

need to balance the attainment of a holistic picture of the service with the desire to break the service concept into components for operational ease of articulation remains a fundamental area of discourse. Practitioners that focus too heavily on the development of a mental picture often have difficulty in translating their picture into operational deliverables whereas those that concentrate too heavily on the sub-components often fail to develop a unifying picture of the whole. Given that many practitioners have difficulty articulating the true nature of their service concept the author postulates that breaking the service concept into its constituent components would encourage practitioners to partake in what is commonly seen as a difficult and fuzzy process [10] and although there remains a risk that a holistic picture may not be developed, this risk is lower in magnitude to the scenario where service practitioners fail to develop of a service concept due to the perceived difficulty of the process. In Figure 1, we propose a conceptual model of the components of a service concept based on the common themes identified in the review of existing service concept literature.

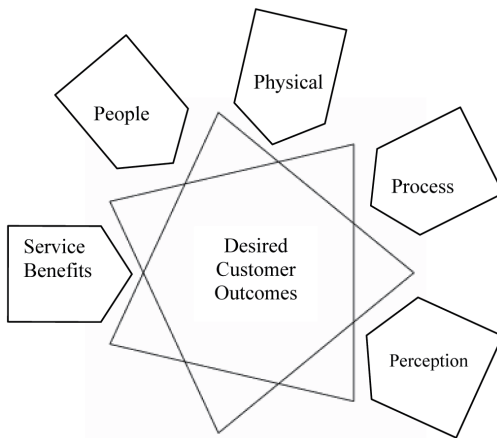


Figure 1 Conceptual Model of Service Concept Components

## From Service Concept To Experience Concept

Experiences create added value by engaging and connecting with customers in a personal and memorable way [6] and progress the economic value of the organisations' market proposition via increased differentiation and premium pricing opportunities. Carbone & Haeckel [3] define experiences as the aggregate and cumulative customer perception created during the process of learning about, acquiring and using a product or service. Other key characteristics of experiences that emerge from the literature are that experiences require active participation by the consumer [14], involve the acquisition of knowledge

and sensations [8], and create emotional connections that are revealed over time rather than merely at the moment of delivery [15].

Efforts to deliver experiential components to customers must be incorporated into service design deliberately [14] and from the outset. The incorporation of experiential components into service design would therefore require the development of service experience concept. Since experiences are a progression from services, an experience concept would include the core service elements, proposed in Figure 1, but would also require some additional experience-specific components. A proposed model for a service experience concept is outlined in Figure 2.

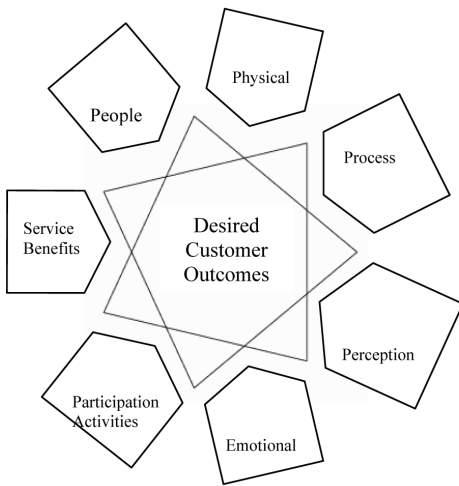


Figure 2 Conceptual Model of Service Experience Concept Components

**Process of Concept Articulation**

Methodologies for service development borrow heavily from manufacturing orientated product development strategies and although there exist considerable differences in the attributes of product and services, the methodological approach advocated is broadly similar. A proposed model of the stages of concept articulation outlined above are represented in Figure 3.

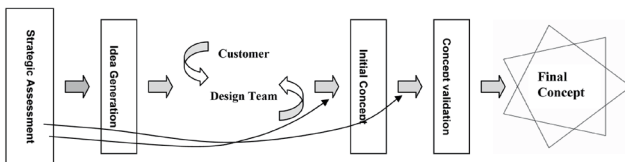


Figure 3 : Stages of Service Experience Concept Development

## Conclusion and Future Research

The literature on service development along with industry reports stressing the importance of improved service experience design, give credence to the need for the improved articulation of a service experience concept as part of the service development process. This paper has sought to integrate and build upon prior contributions in order to propose a preliminary model of the components of a service experience concept and offers a methodological framework for service experience articulation. It is envisaged that the proposed models will be tested with a number of service providers.

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