Linking service design to value creation and service research

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Abstract

Purpose – The purpose of this paper is to develop a framework for understanding service design and how service design relates to central concepts within service marketing.
Design/methodology/approach – For companies, service design is growing in importance and has become a crucial capability to survive in the service-dominant economy. Service design increases the capacity to improve not only service experiences but also organizational design. On this premise, the authors propose a conceptual framework.
Findings – By relating service design to research efforts within service marketing, dual value creation can be enhanced. As such, the conceptual framework portrays service design as an enhancer of customer experience and organizational performance.
Originality/value – To the authors knowledge, service design has not been discussed in the service marketing literature. Thus, this is the first attempt to see service design in light of well-established service marketing models such as SERVQUAL and an updated version of the Service-profit-chain.
Keywords Service innovation, Service research, Customer experience, Service design, Design thinking
Paper type Conceptual paper

Introduction

According to Aksoy (2013) the two most tracked measures regarding customer behavior are customer satisfaction and likelihood to recommend. From the customer's perspective though, expectations concerning service quality and satisfaction have been increasing, thereby making the experience of value creation a top priority for organizations across all sectors. A focus on customer satisfaction and service quality, which used to be the ticket to play and stay, is no longer enough in today's

increasingly demanding markets. Instead, service innovation is the new ticket, with service design emerging as a critical mindset that organizations need to master in order to innovate successfully.

Service design has been defined as the activity of planning and organizing people, infrastructure, communication, and material components of a service in order to improve its quality and the interaction between service provider and customers (Mager, 2009). However, due to its increasing popularity and applicability in service research, a newer understanding of service design adopts a broader perspective – one that emphasizes the involvement and understanding of users and their context, including service providers and social practices, and translates this understanding into the design of service systems (Patrício *et al.*, 2011). With its focus on the within-customer experience (Zomerdijk and Voss, 2010), service design can aid providers in their efforts to become more customer centric. Given the growing prominence of service design, in this note we highlight how:

(1) service design relates to well-established concepts within the domain of service research;

(2) service design implies an emphasis on co-creation of value; and

(3) service design can improve consumers' work-life balance, i.e. return on time (ROT).

Service design and its growing importance

In their quest to develop an attractive and sustainable market offering, service leaders have increasingly turned to service design and design thinking (Brown, 2008). For manufacturers of goods, design thinking typically came in during the final stages of the innovation process by making new products and technologies aesthetically attractive and therefore more desirable.

As manufacturing economies in the 1990s started to be replaced by service economies (Brown *et al.*, 2009), service design has become prominent in creating value for customers. The reason is the transition in focus, from aesthetics and product-orientation to understanding why customers buy a particular service solution (i.e. a focus on value creation). Thus, in order to understand the value in use, businesses are confronted with a major challenge to better understand the processes and context that affect the customer's experience. Today, service design, and what is typically referred to as design thinking (Stickdorn and Schneider, 2010), is being employed to create experience-centric services (Zomerdijk and Voss, 2010).

Service design, service quality, and organizational performance

For private, for-profit firms, the focal construct of performance is most often measured as attitudes (e.g. Oliver and Bearden, 1985; Moorman *et al.,* 1992), loyalty intentions (e.g. Bemmaor, 1995; Reichheld, 1993), loyalty behaviors (e.g. Reichheld and Sasser, 1990; Jones and Sasser, 1995), or customer financials (e.g. Miglautch, 2002; Keiningham *et al.*, 2005; Reinartz and Kumar, 2000). According to Fornell (1992), customer satisfaction is an antecedent of all these measures. Building on Fornell's (1992) quality → satisfaction → performance framework, we perceive service quality as antecedent to customer satisfaction. Considering the growing importance of service design, we further posit service design as an antecedent of service quality, especially in light of its crucial role in creating customer experiences that are based on understanding and

interpreting customer encounters and interactions with service providers in a service system (Patrício *et al.*, 2008; Pinho *et al.*, 2014).

Parasuraman *et al.* (1988) operationalized service quality through the SERVQUAL measurement instrument consisting of five dimensions: reliability, assurance, tangibles, empathy, and responsiveness (RATER), with the last two, in particular, directly relating to frontline employees' interactions with customers.

While finer-grained measurement instruments for both off-line and online service quality have since been developed e.g. E-S-QUAL (Parasuraman *et al.*, 2005), the same cannot be said about measures for service design. Early contributions on service design (Shostack, 1982, 1984) considered it as part of the marketing and management disciplines. Shostack (1982), for instance, proposed an integrated design process involving tangible components (products) and intangible components (services). She further suggested that this process can be codified using a "service blueprint," which systematically maps the sequence of the various events/functions involved in the process. Much work has been done on service blueprinting since then with Bitner *et al.* (2008) being a prominent example. In a similar fashion, service design relies on methods to incorporate elements of utmost importance to the user, such as interaction between actors, duration of the interaction, and the sociotechnic context where value takes place (Wetter-Edman *et al.*, 2014). The core of service design, termed design thinking, represents a solution- or experience-focused means of interpretation that puts the customer first and the organization second. On the basis of design thinking, various scholarly disciplines anchored in antrophology, etnography, and psychology have developed methods for enabling an understanding of the customer experience (Plattner *et al.*, 2010). Examples of methods that rely on design thinking include customer journey, empathic design, and personas and day reconstruction method (Kahneman *et al.*, 2004). The service-blueprinting technique, mentioned before, is also consistent with the design thinking principles. In short, design thinking methods capture aspects such as the following:

- Identification of all the actors involved in the enabling and use of a service.
- Understanding the users, in terms of needs and wants, empathy for their situation, and analysis of context of use, including the broader service system.
- Representation of the service, using techniques that incorporate all the components of the service, including physical elements, interactions, logical links, and temporal sequences.

To sum up, from the above discussion we argue that service quality is an antecedent of customer satisfaction and organization performance, where service design thinking serves as an enhancer of perceived service quality and customer (or user/patient/client/member/ citizen) satisfaction. Using the RATER-framework, we capture this view in Figure 1.

Figure 1 implies that service design serves as a value-enhancer of quality in order to enable and enhance the service experience from the customer's point-of-view. Design thinking allows the firm to see through the eyes of the customer – which, more often than not, leads to different solutions than if using the traditional organizational perspective. We argue that service design functions as a lens on various touch points along a customer's journey, taking the customers' perspective and representing an outside-in approach, which enhances the overall customer experience. Normann's (2001) suggestions concerning customers' capacity, time and vision (i.e. goal) could also be employed if researchers want to incorporate additional inherent aspects of service design (we elaborate on the time aspect at the end of this research note).
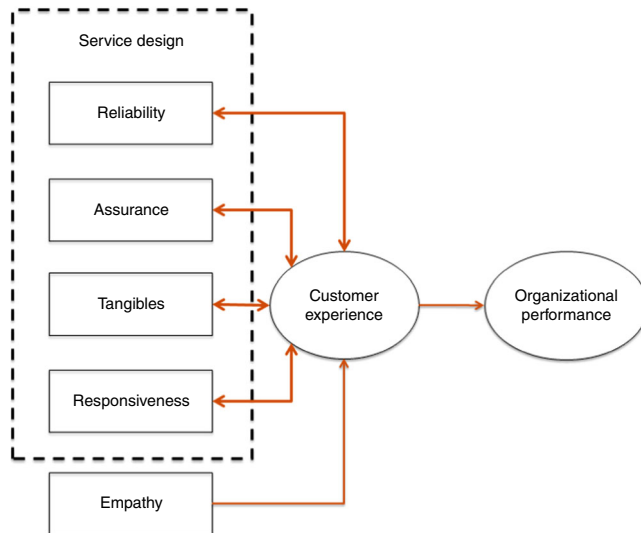
Figure 1.
Service design
as a turbo-charger of
quality, experience,
and performance

Service design and organizational change

The importance of customer focus in various marketing activities was recognized in the early 1950s by researchers such as Drucker (1958) and Levitt (1960). But it was only in the 1990s that research pertaining to customer-centricity gained momentum. For example the service-profit-chain model (Heskett *et al.*, 1997) illustrates conceptually how the inside of a company, i.e. organization and employees, impacts the outside, i.e. customers' experiences and performance. According to Shah *et al.* (2006), an organization transforms from one state, e.g. product centric, to another, e.g. customer centric, through changes in four factors: process, structure, culture, and financial metrics. The true essence of the customer-centricity paradigm lies in creating value for customers and, by doing so, creating value for the firm, i.e. dual value creation (Boulding *et al.*, 2005). We believe that service design, especially with its broader focus on service system design (Patrício *et al.*, 2011) and design thinking, with its tools and techniques for enabling interpretation of users and their context (Miettinen, 2009), can be employed to enhance process, structure, and culture in creating value for customers. Building on Andreassen and Lervik-Olsen's (2015) adaptation of the service-profit-chain model, Figure 2 illustrates how service design might facilitate organizational change and contribute to enhanced value creation at various internal and external touchpoints.

Reading Figure 2 from right to left, organizational performance is a function of customer experienced value. In our view, service managers decide on the experience they want customers to have when designing the service concept and offer. How virtual (e.g. E-S-QUAL-based) and physical (e.g. RATER-based) touch points are designed is crucial for the customer experience. The quality of a customer's service encounters (i.e. moments of truth) in a virtual or physical channel, in turn, depends on how well the channel's interface with service personnel is designed. In this regard, the design of the touchpoints between support and frontline personnel is important, as is the design of how those personnel interface with the firm's internal IT systems and procedures. We further posit that the firm's organizational structures, processes, and culture will be impacted by implementing an outside-in perspective in service design. Thus service design can and
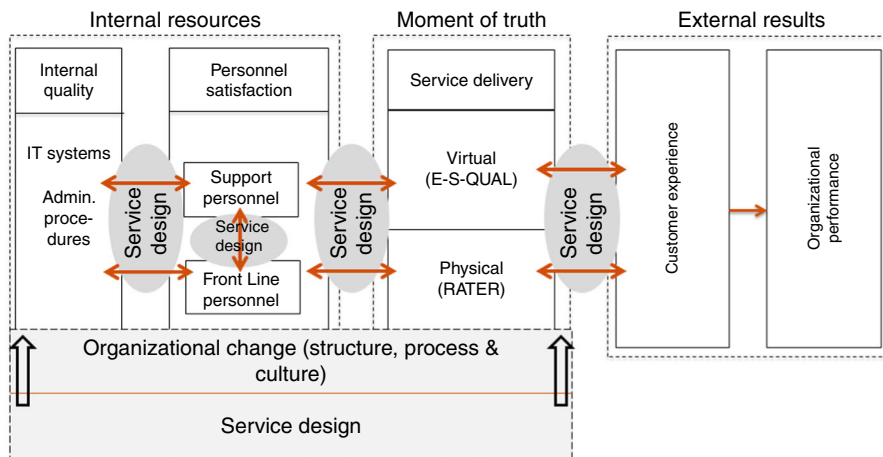
Figure 2.
Service design for organizational change and enhanced value creation

does have a crucial role to play at various stages of the chain of events leading up to customer experienced value and organizational success. The outside-in perspective in service design is important because it starts with the customer's desired experience, following which various organizational processes are designed to be consistent with that experience (Fitzsimmons and Fitzsimmons, 2000; Manning and Bodine, 2012). In our proposed framework, service design anchored in an outside-in perspective focuses primarily on customer value creation – rather than on customer service *per se* – and pervades all stages of the process leading up to customer experience. As such, the framework helps explain how companies with strong focus on efficiency and only limited focus on customer service can still be highly successful. Such companies start by focusing on customers for who low cost is the most important, if not sole, concern, and then designing all antecedents and aspects of service delivery to be consistent with that focus.

Service design and customer co-creation of value

According to the service-dominant logic, customers integrate their resources (knowledge and skills) with those of the service provider in order to reach a goal that is relevant to them (Vargo and Lusch, 2004). The customer is thus always a co-creator of value. In contrast, the traditional goods-dominant logic views value as something that can be created beforehand, without any co-creation contribution from customers. The service-design perspective proposed in this note emphasizes the important role that the customer plays both in shaping the customer experience and co-creating value (McColl-Kennedy *et al.*, 2012).

Firms need to be cognizant of the activities that customers are responsible for and provide them with the necessary support so they can perform the co-creation as effectively as possible. Design thinking and the use of an appropriate service design can help firms ensure that customer needs are well-integrated into the process of developing the service offering, especially since customers have knowledge about use and are often the main integrators of the resources required for creating the service offering. The service literature makes a cogent case for companies to involve their customers in co-creation during the service innovation process: for example, the customer's ideas and input are often more creative and valuable than the inputs found within the company (Kristensson *et al.*, 2004; Witell *et al.*, 2011). Also, the true inventors of service organizations such as weight watchers, and several novel banking services, have been customers (Oliveira and von

Hippel, 2011). In this way, open and democratized innovation processes (Chesbrough, 2011; von Hippel, 2005) fit well with the service design approach that we advance in this note.

Service design and customers' need for improved individual well-being – return-on time
To illustrate how a service design perspective can enhance value creation for customers' individual well-being, we introduce the notion of return on time, which pertains to "a goal oriented behavior targeted at acquiring and spending time over a set of chosen activities with the purpose of increasing subjective well-being" (Andreassen *et al.*, 2015). Consumers can acquire time through two mechanisms: saving time by, for example, multi-tasking, motivating other people, altering their own priorities, etc.; and buying time by investing in machines and technology, or buying services such as laundry, gardening, and food delivery. The freed-up time from saving or buying time can be invested in other activities (e.g. family, work, one's self) that improve individual well-being. From a service innovation perspective, the general idea is that consumers will seek new solutions that will improve their well-being. In this respect, ROT serves as a proxy for well-being. Service design is important as it helps customers understand how ROT can be meaningful for them. Service design also informs firms about how to design their value propositions in order to provide opportunities for such ROT experiences. In short, service design can help improve customers' output (i.e. benefits gained) relative to their input (i.e. resources invested) when measuring their productivity (Parasuraman, 2002).

ROT is a subjective construct because its meaning will differ depending on where one is in his/her life. Andreassen *et al.* (2015) propose three stages in life: "Young, free, and simple" (Empty Nest 1), pertaining to people who want to get the most out of their social life. Services that improve "quantity of life" will be preferred at this stage. The second stage is "Chaos in My Life" (Full Nest), referring to people striving to simply cope with their daily lives. Services that improve efficiency and effectiveness will be preferred at this stage. The third stage is "Got My Life Back" (Empty Nest 2), denoting people seeking quality rather than quantity of life. Services that cater to experiences will be preferred at this stage. We argue that service-designers who best understand the service preferred by each segment will be the preferred providers for helping customers improve their ROT. As such, in a context where customers have a goal of maximizing ROT service design becomes especially critical in developing service offerings that customers will have a high probability of adopting.

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