

01 WHY SERVICE DESIGN?

Silo-breaking, hands-on innovation that starts with the experience – why organizations adopt service design.

Expert comments

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01

WHY SERVICE DESIGN?

1.1	What do customers want?	3
1.2	The challenges for organizations	6
1.2.1	Empowered customers	6
1.2.2	Silos	7
1.2.3	The need for innovation	10
1.2.4	Organizations are reacting	11
1.3	Why a service design approach?	14

This chapter also includes

Services? Products? Experiences? 5

United Breaks Guitars 9

Why I choose service design 12

1.1 WHAT DO CUSTOMERS^{O1} WANT?

In your childhood, you might have played a game called Pass the Parcel. Before a party, a mystery gift would be wrapped in gift paper, then wrapped again and again until it became impossible to guess more than the basic form of what was inside. The kids playing the game would unwrap layers and layers, impatient to get to the middle.

The offerings made by organizations – the products, physical and digital services^{O2} we want – are wrapped in much the same way. The outermost wrapping is the behavior, manner, and tone of the staff member (or technological interface) we are dealing with. Under this is a layer of subject and system expertise made of that person's or system's knowledge of the offerings and operations. Then there is a layer of processes carried out by staff – for example, the sales or refund routines. Next, we have the systems and tools run by the organization – logistics systems, billing, and point of sale systems. And at

the core is the offering itself, like a telephone contract or a pair of running shoes.

As a customer of an organization, you are like the child playing Pass the Parcel. **The only way to get to the offering you want is through all those layers – they all contribute to your experience.** Disinterested staff, misinformed employees, byzantine processes, and clunky systems can all make it less satisfying to buy or interact with the offering, making it less valuable to you.

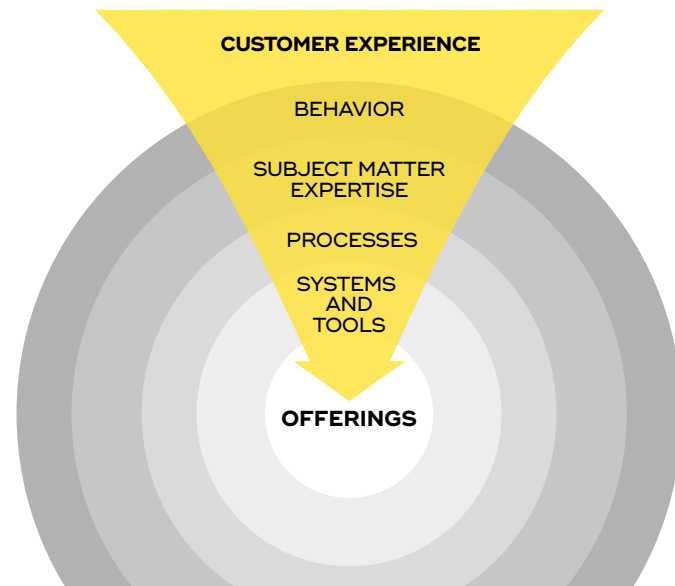
Traditionally, companies have focused heavily on the content at the core of the parcel, and perhaps the few innermost layers that let them deliver it. They concentrate on technical and operational excellence and they want to

The experience of our offering is filtered by customers' perception of our behavior, expertise, processes, systems, and tools. They only perceive our solutions through the veils of all these layers, usually starting with the outermost.^{O3}

^{O1} In this book, we will generally use the word "customer" in its broadest sense as someone who receives the value we produce. In your world, you might use other words like "client," "user," "colleague," "citizen," "stakeholder," or "boss." When it is important to differentiate – for example, in a B2B case between a "user" who directly interacts with an offering and a "customer" who buys it – we will make a clear distinction. For more detail, see the textbox *Stakeholder terminology* in 3.4.

^{O2} The term "products" describes anything a company offers – no matter if this is tangible or not. In academia, products are often divided into goods and services. However, products are usually bundles of services and physical/digital products. As "goods" is colloquially understood as referring to something tangible, we prefer to speak of physical/digital products. Read more on this in the textbox on *Service design and service-dominant logic* in 2.5.

^{O3} This six-level model is the authors' adaptation of Swisscom's 5 Step Model. See, for example, Oberholzer, G. (2011, May 05). "Customer Experience – wie vermittele ich das meinen Mitarbeitenden? – CEN-Xchange Mai," at <https://stimmt.ch>.



“get it right.” To them, their job is to optimize the nuts and bolts of their activity – like the hamburger restaurant that invests heavily in new recipe development. Or they work hard at sales, telling the world that they have just what the customer needs to solve his problem – like the bank that strives to present a consistent image of trustworthiness.

But is this core offering what the customer really cares about? In one study, researchers asked tens of thousands of patients about the factors that led to their hospital stay feeling satisfying or not.⁰¹ Now, most of us would expect the “medical outcome” – the successful healing of the ailment – to be one of the most important things to patients. After all, “healing” is the key value proposition of hospitals; it’s why people go there. But in the study, none of the top 15 satisfaction factors related to whether or not the patient’s health improved while at the hospital. Instead, the top factors usually related to interactions with personnel, including things like information flow, complaint handling, empathic and polite nursing staff, patient inclusion in decision making, a pleasant hospital environment, and the feeling of being cared for by a well-motivated team.

Of course, if someone did not experience a good medical outcome, the situation might be different. When we become more sick, the medical part of the experience becomes eminently important. But until then, it seems that the core competency of the hospital – healing – is

⁰¹ Frampton S., Gilpin L., & Charmel P., eds. (2003). “National Patient Satisfaction Data for 2003.” In *Putting Patients First: Designing and Practicing Patient-Centered Care*. San Francisco, CA: Jossey-Bass.

taken for granted by the patients.⁰² It’s not hard to imagine this in other situations. If you are a tourist, you don’t talk about your hotel room having a door, window, or bed until one is missing. If you are a CFO, you don’t rate your corporate accountants on their arithmetic skills until they lose you money. And at that point, the deficit becomes an issue. But otherwise, customers rate organizations on other factors.

So at the hamburger restaurant, eaters actually care *more* about a warm greeting than an exciting new burger recipe. At the bank, clients worry *more* about the awful login process on the website than about trusting the institution.⁰³ As customers, it seems that **we are less influenced by the core offering than by the layers of experience around it.** So how might organizations understand better what their customers value, and use their knowledge of customers to systematically make that experience better?

⁰² This phenomenon has been well documented and researched since the 1960s – e.g., Herzberg’s theory on motivators and hygiene factors: hygiene factors only contribute to dissatisfaction if they are missing, but do not contribute to satisfaction if they are present, while motivators contribute to satisfaction if hygiene factors are fulfilled. Source: Herzberg, F. (1964). “The Motivation-Hygiene Concept and Problems of Manpower.” *Personnel Administration*, 27, 3–7. See also the textbox *The Kano model* in 6.3.

⁰³ Burger and bank examples both from Tincher, J. (2012, May 31). “The First Key to Creating a Great Customer-Inspired Experience,” at <https://heartofthecustomer.com>.

Services? Products? Experiences?

This book has the word “service” in the title, but the first few paragraphs talk about hamburgers and sports shoes. Are they services? Many business people make a big fuss about the difference between services and goods (often colloquially called “products”), and where exactly the distinction lies.

“If my company offers it, it’s our product,” says one. “It’s only a product if you can drop it on your foot,” says another. There are approaches which sidestep this discussion. Within service-dominant logic⁰⁴ you will hear that tangible goods are merely distribution mechanisms for service



⁰⁴ See the textbox on *Service-dominant logic* in 2.1. See also Vargo, S. L., & Lusch, R. F. (2004). “Evolving to a New Dominant Logic for Marketing.” *Journal of Marketing*, 68(1), 1-17.

provision – goods have been called “service avatars.” Or, the jobs-to-be-done approach suggests that customers “hire” a certain product or service to get a specific job done.⁰⁵ Within these discussions, there are further questions around emotional, relational, and functional aspects of services and products.

In this book, the word “product” is used to describe anything a company offers – no matter if this is tangible or not. To avoid confusion, instead of “goods and services” we often talk about “physical and digital products” as well as the products we call “services.”

⁰⁵ See Christensen, C. M., Anthony, S. D., Berstell, G., & Nitterhouse, D. (2007). “Finding the Right Job for Your Product.” *MIT Sloan Management Review*, 48(3), 38.

What all these terminology discussions have in common is that customers just don’t care. They pay their money (or spend their time, or give their attention, or exchange something else they value, like data or votes or permission), and they want organizations to co-create value with them – by helping them, by taking away their problems, or by realizing their goals. And while that is happening, they expect organizations to provide an experience that reaches or exceeds their expectations, fits in with their lives, and meets their emotional needs. ◀

1.2 THE CHALLENGES FOR ORGANIZATIONS

1.2.1 Empowered customers

The digital revolution has made customers' demand for good experiences even more powerful. Where they once were often forced to take what they could get locally or find in the newspaper, they now have a huge choice. Indeed, it is often easier to buy from the other side of the planet than from the store across town. Customers have many channels for information or for purchase, even within one provider, and will switch between them at their convenience. They have more information, with price comparisons, alternative sources, trusted reviews, and a wealth of other data just a screen away.

Social media amplifies this change, as customers seize the opportunity to share experiences with potentially millions of others. Conversations online are reshaping business,⁰¹ as users trust the words of peers far more than expensive advertising campaigns. Business-to-business (B2B) services may be less sensitive to social media, but word of mouth (WOM) seems to fulfill the same role here, with employee and customer referrals often named as the most effective sales generator.⁰² Whatever the numbers, we agree that when an organization messes up, the world will be told – and people will believe what they hear.

⁰¹ This was already pinpointed in *The Cluetrain Manifesto* back in 1999. See Levine, R., Locke, C., Searls, D., & Weinberger, D. (2010). *The Cluetrain Manifesto*. Basic Books.

⁰² Implicit, reported for example in eMarketer. "Referrals Fuel Highest B2B Conversion Rates." (2015, February 10) at <https://www.emarketer.com>.

Customer experience makes a difference to the bottom line, as plenty of studies have shown. As early as 2009, it was estimated that poor customer experiences led to \$83 billion of lost business in the United States alone.⁰³ Companies that excel at customer experience outperform the market⁰⁴ and are more likely to be recommended by customers and more likely to see customers return and buy again;⁰⁵ also most customers are willing to pay more if they are sure of a better experience.⁰⁶

It seems obvious that focusing on customer experience is crucial, so why do so many organizations get it wrong? They are made up of intelligent people who are doing good jobs, but they still manage to infuriate, anger, confuse, disappoint, or simply fail to impress customers.⁰⁷ One of the answers is the way organizations are set up.

⁰³ See, for example, "The Cost of Poor Customer Service: The Economic Impact of the Customer Experience and Engagement in 16 Key Economies" (September 2009) Genesys, e.g., at www.ancoralearning.com.au.

⁰⁴ See, for example: Watermark (2015). "The Customer Experience ROI Study." Retrieved from <http://www.watermarkconsult.net/docs/Watermark-Customer-Experience-ROI-Study.pdf>.

⁰⁵ See, for example, Temkin Group (2012). "The ROI of Customer Experience." Retrieved from <https://temkingroup.com/research-reports/the-roi-of-customer-experience/>.

⁰⁶ See, for example, RightNow/Oracle (2011). "Customer Experience Impact Report." Retrieved from www.oracle.com.

⁰⁷ Research findings support the conclusion that customers have lost their faith in business practices. Why? "Many marketers should confess that deep in their hearts consumers are never top priority." In their book *Marketing 3.0*, Philip Kotler et al. describe the development of marketing from being product-driven (1.0) to customer-centric (2.0) to human-centric (3.0, and later also 4.0 to include every aspect of the customer's journey). This includes a shift in product management from "The Four Ps (product, price, place, promotion)" to "Cocreation." (source Kotler, P., Kartajaya, H., & Setiawan, I. (2010). *Marketing 3.0: From Products to Customers to the Human Spirit*. John Wiley & Sons, p. 31).

1.2.2 Silos

COMMENT

“Business tools and methods emphasize standardization and scalability of an offer, and connecting with people by advertising through mass media channels. This approach has a limited ability to understand and affect the new realities of customer experience.”

– Chris Ferguson

COMMENT

“Meetings are one of the most painful yet underestimated problems of modern business. In this context, a design-led approach is ordinary yet extraordinary. Meetings are no longer where your ideas go to die.”

– Lauren Currie

Since industrialization, through movements like Taylorism⁰⁸ and total quality management,⁰⁹ organizations have focused on operational excellence and efficiency. In a mechanistic paradigm, they have understood their activities as a series of operational processes, and looked at optimizing each individual step, usually in terms of costs. After all, cost and efficiency are fairly simple concepts that offer convenient “levers to pull” for management. Whole organizational units (we often say “silos”) have been constructed around work functions that make sense to the company, with a dedicated collection of business tools set up to understand, track, and manage these functions and optimize them within the silo and from the company’s perspective – not the customer’s. **It sometimes seems that anything outside the basic offering and the processes necessary to deliver the core value is mostly seen as an overhead, a cost center, or as a “soft factor”** – something to be streamlined, cut away, perhaps left to chance or to the “soft factor specialists” in advertising and HR.

So, these organizational silos reflect many of the layers of experience, putting them in the hands of separate teams. For example, when I buy my running shoes, the advice process might be designed by the Sales department, and the salesperson’s soft skills and specialist knowledge trained by HR. The salesperson will use sales and stock

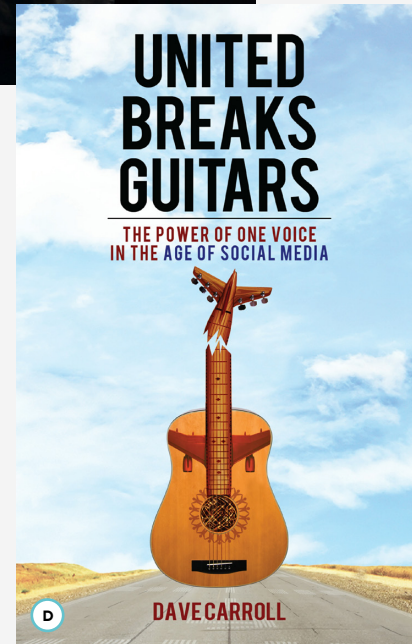
⁰⁸ Taylorism, or scientific management, is a production efficiency methodology from the early 20th century. It was based on dividing work into the smallest meaningful subdivisions, each of which could be measured and optimized to ensure the perfect flow of actions by the worker.

⁰⁹ Total quality management is a business methodology most famous in the 1980s and 1990s that attempted to continuously improve the quality of products and services using feedback loops and the systematic analysis of work processes.

systems developed by IT, explain a returns procedure drawn up by Legal, and finally sell me a pair of shoes designed by R&D or bought in by Purchasing. The situation becomes even more knotted when my relationship with the company grows longer and more silos come into play.

All these people are good at their jobs, so their work inside their silos becomes more efficient from year to year while helpless customers bounce between them. Of course, there are calls and efforts to work together – but how exactly should this happen? People in different suborganizations have their own viewpoints on what is important, their own measures of success, their own key performance indicators (KPIs). There are tools like process diagrams which can indicate the contributions of different departments to the process, but these generally only include the customer if she is necessary for part of the process, or even exclude her completely. They can be used to promote efficient cooperation between silos, but not the understanding of the effect on the consumer. Even “Voice of the Customer” charts and quotes are often so widely shared that they lose all context and real customer needs are forgotten. **And crucially, there are many parts of the customer journey that are important to the customer, but which do not appear at all on traditional process visualizations.** These are the parts of the journey which are not directly influenced by the organization, but which are an important part of the

This is Service Design Doing



- A Dave Carroll has been a professional singer-songwriter for over 25 years.
- B His “United Breaks Guitars” YouTube videos are often used as an example of the impact one customer can have on a brand.
- C Dave now speaks regularly at international conferences.
- D Dave’s book, *United Breaks Guitars*.⁰¹



United Breaks Guitars

BY DAVE CARROLL

I have been a professional singer-songwriter for over 25 years now, and on March 31, 2008, I was traveling to Nebraska with our band Sons of Maxwell. We'd stopped in Chicago to deplane and catch our connector when a fellow passenger looked out her window and declared, "Oh my God, they're throwing guitars out there." It turned out that my \$3,500 Taylor guitar was badly damaged, and this began my entry into a frustrating customer service maze with United Airlines. After 9 months, I was told that because I did not open a claim within the first 24 hours and instead waited 5 or 6 days, United's policy of taking responsibility for the damage was excused.

I responded by promising to write three songs and create three music videos that I would post to YouTube with a goal of receiving one million YouTube views in one year, with all three videos combined. While I followed through on the promise and the "United Breaks Guitars" trilogy

was, in fact, completed in just over one year, the first video went viral immediately and reached one million views in just four days. It became the #1 music video in the world for the month of July 2009 and the center of a mainstream media frenzy. Today it has nearly 16 million views. United Airlines stock was reported to have been affected by a 10% drop in market capitalization, or a decrease of \$180 million in value, and that report made the music video relevant to businesses everywhere. It was clear that social media was now more than just videos of a cat flushing a toilet. A single dissatisfied customer could affect the profitability of one of the world's most recognizable brands with a \$150 music video.

My story was featured on CNN, and virtually every major Western news agency. "United Breaks Guitars" was also an inspiration to countless unsatisfied consumers and I was inundated with

thousands of encouraging and grateful emails from customers around the world.

"United Breaks Guitars" has become a textbook example of the new relationship between companies and their customers, and has demonstrated the power of one voice in the age of social media.

It has become a benchmark case study in the customer service and music industries, as well as branding and social media circles. Another unexpected outcome of my story is that it led to a busy career as a speaker on the topic of customer experience, branding, and the power of story. In sharing my message in over 25 countries to date, I discovered that I am a passionate advocate that companies become more compassionate to avoid problems altogether, and I enjoy teaching others how to become more effective storytellers in today's frenetic and noisy environment. ◀

O1 Carroll, D. (2012). *United Breaks Guitars*. Hay House, Inc.

COMMENT

“As described by Schumpeter in 1927, the economic business cycle has four phases: brain activity, adoption curve, routine, and crises. When the cycles lasted 60 years, these phases occurred without people noticing. Now that they last six months, knowing how to work on several “brain activity” phases to create knowledge is fundamental. In a service-dominant logic worldview, these brain activity phases are the main reason why organizations should adopt service design.”

– Mauricio Manhaes

customer experience – like waiting, third-party reviews, or discussions with friends.⁰¹

So, put a cross-functional team in a room together, and where should they start? Usually the basic tool of such cooperative attempts is the meeting, and the teams are faced with the colossal task of reconciling different worldviews and different terminologies by basically talking about it. It is no wonder that cross-functional cooperation is extraordinarily difficult, as each delegate honestly argues for his own point of view using his own specialized language.

How can we make it easier for these people to cooperate and create new value together, so that each department sees the results as its own and is invested in their success? And how can we help them to orchestrate experiences across their silos, working together to create real satisfaction?

1.2.3 The need for innovation

Most organizations feel a great pressure to innovate. They see innovation as something necessary and desirable, and prioritize it as a goal in their work. It is often closely linked to generating a unique selling proposition (USP), and the innovation might be in terms of creating unique offerings – but it might also be in the internal processes that enable those offerings or even in the business model of the organization. Whichever of these

⁰¹ Read more on proposition-centered journey maps and experience-centered journey maps in 3.3.1, *A typology of journey maps*.

applies, the need for innovation is driven by a changing and super-connected (business) world, an immense shortening of business cycles, and a general ubiquity of technology and information which makes it easier than ever to copy. If an offering has value and is easy to reproduce, then it will be copied directly or indirectly, legally or illegally by people who have not had the development costs and can offer it cheaper. Even if they offer it at the same price, the result is the same – commoditization. There will be two or more similar offerings on the market, and a price war will loom.

Innovation is often focused on pleasing the customer, because new features are not new for long. In various models of customer satisfaction,⁰² it's clear that aspects of an offering that are initially seen as delightful soon become expected. One vivid example is wireless internet in hotels at the start of the 21st century. Initially, travelers were surprised and delighted to be able to use WiFi in hotels and were happy to pay for it. Soon, they expected to find it in every hotel, and began to grumble that the price was higher than at home. As we write, with WiFi available for free in coffee shops, cabs, and cheap buses, hotel guests “compare WiFi to hot water, electricity, or air”⁰³ and are often annoyed or angry to see a charge for it on their hotel bill. In terms used by proponents of the Kano model,⁰⁴ an *excitement* factor has degraded to

⁰² See Oliver, R. L. (1977). “Effect of Expectation and Disconfirmation on Postexposure Product Evaluations: An Alternative Interpretation.” *Journal of Applied Psychology*, 62(4), 480 (as well as Oliver's subsequent publications). In this book, see the textbox *The Kano Model* in 6.3.

⁰³ White, A.C. (2015, July 6). “Free Hotel Wi-Fi Is Increasingly on Travelers' Must-Have List.” *New York Times*.

⁰⁴ See the textbox on *The Kano model* in 6.3.

COMMENT

“Every day, we all use services that are broken – and this needs to change. Service design is designing services that work.”

– Lauren Currie

COMMENT

“B2B companies continue to move into services as a means of growing their markets. This is especially true with traditional product companies where they are creating new service businesses – sometimes in cooperation with other organizations – to complement and/or increase the value of industrial products from jet engines and locomotives to power generation. These service businesses represent significant opportunities for many B2B companies, and a great application area for service design.”

– Jeff McGrath

a performance factor and then a basic factor. Yesterday’s innovation is already out of date – a new one is needed.

All this means that many organizations prioritize innovation as a key success factor. **And as service becomes more and more visibly important for every business, the focus of their innovation turns to services.** They attempt to meet the multilayered needs of users, not just impress with flashy new ads or product extensions.

So, today’s companies look for ways to understand the needs of their customers in a way that will provide useful insights and spark interesting ideas. And they want a way to work on those ideas in cross-silo (or cross-organizational) teams, diversifying, filtering, testing, and evolving concepts until they are implemented as new or improved offerings, operations, or even business models. The innovation might be incremental or disruptive, so we need techniques that work for both of these.

1.2.4 Organizations are reacting

It’s clear that many organizations today – from startups to governments – understand the importance of innovating customer experience for their success. And this awareness is growing fast. Back in 2014, one study already predicted that 89% of companies expected to be competing mostly on the basis of customer experience by 2016 – in comparison to a meager 36% in 2010.⁰⁵

⁰⁵ Sorofman, J. (2014, October 23): “Gartner Surveys Confirm Customer Experience Is the New Battlefield.” at www.blogs.gartner.com.

When organizations understand the importance of customer experience, they often start tracking satisfaction. The most visible tools are online and offline surveys, or the Net Promoter Score (NPS)⁰⁶ in particular, with thousands of organizations asking “How likely is it that you would recommend our company/product/service to a friend or colleague?” This valuable metric faces the challenge of many quantitative measurements: when your NPS slumps, you know that you have a problem, but not why. Strong Voice of the Customer loops and listening points can show more, but do not in themselves offer solutions. They tell you how big your problem is, and perhaps where it comes from, but not how to fix it or how to innovate.

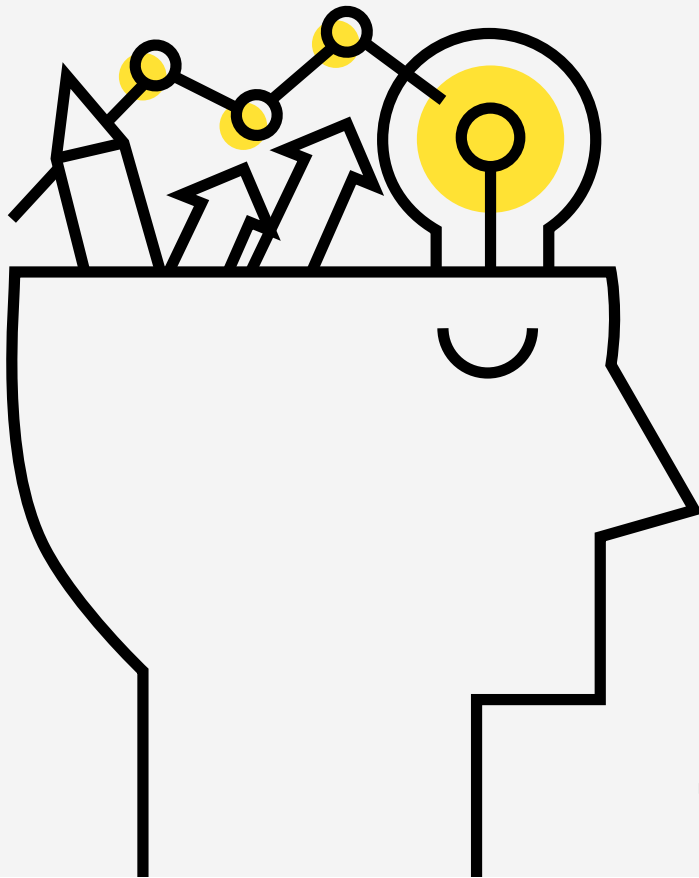
NPS and similar metrics can help show problem areas – often they pinpoint silo thinking as a source – but there is an old adage that *weighing the goose will not make it fatter*. So, organizations are looking for new, reliable, and scalable ways to move beyond measurement and innovate experiences strategically across silos. Increasingly, they turn to what we call **service design**.⁰⁷

⁰⁶ Reichheld, F. F. (2003). “The One Number You Need to Grow.” *Harvard Business Review*, 81(12), 46-55.

⁰⁷ Service design? Other people might talk about design thinking, service design thinking, new marketing, UX design, holistic UX, CX design, human-centered design, customer experience management, experience design, touchpoint management, lean UX, new service development, new product development, customer journey work, or innovation, to name a few. Others will notice similarities with lean startup and agile development methodologies. We don’t care what you call it – what matters is what you do and how you do it. Still, you might want to watch out, because some people have very strong opinions about what exactly terms like service design and design thinking and all those others really mean. Other people are quite relaxed – for example, some people will use the term “service design” to refer to almost any kind of service development work, while others will point out that strictly the phrase refers to one particular approach with its historical origins in the design studio. It might get a bit tricky when these people try to have a conversation about “service design” without realizing they mean very different things. With “design thinking,” the situation is even worse. Does the person mean this great approach, or that splendid version, or do they mean every way of applying design principles to business challenges? There are certainly many flavors available – fortunately! – and they all have something to offer. But dwelling on the differences is not always useful. On the whole, unless you really enjoy this kind of discussion, we think you are better off just getting on with doing it.

WHY I CHOOSE SERVICE DESIGN

PRACTITIONERS SPEAK



“Service design applies design thinking to services and focuses on doing (not just talking). Service design skills are useful because they can transform employees and managers to be truly user-centered.”

– **Julia Pahl-Schoenbein**

Senior project leader for
business development, Germany

“I got interested because design thinking and service design put customers and users at the center of their methodology and framework – they provide a holistic view of the solution and make it easy to identify gaps in the experience.”

– **Musa Hanhan**

Executive at a business software company, US

“I love the fast, iterative cycle of the process, and that you don’t need to get it right the first time. ‘Sh!tty first drafts’ are powerful!”

– **Soo Ren Chang**

HR professional, Malaysia

“My challenge was how to collaboratively generate service ideas that work; and how to guide/facilitate that process. Service design meets these challenges.”

– **Carola Verschoor**

Creativity and change professional, Netherlands

“The challenge I was facing was to build a coherent multi-channel service. I needed a way to visualize the stages and parts of the service in order to identify and communicate the issues, as well as trying to improve matters for all concerned. Service design answered all of this through its toolset, specifically service blueprints, user journeys, and stakeholder maps, and allowed me to bring in others to understand the overall picture. Service design also helped set a base for research that was needed and then provided guidance on how to distill that information to a manageable format.”

– **Stuart Congdon**

Infrastructure systems executive, UK

“While service design is quite often thought of in a B2C context, I find it very useful in a B2B environment. Here, we employ service design tools such as customer journey maps and stakeholder maps for the company we are doing business with, as well as for their customers. The biggest benefit is leveraging the designer’s mindset in framing the problem or opportunity. We spend a lot more time up front framing the problem, making it more likely we will design a service that results in a better experience for our customers and their customers.”

– **Jeff McGrath**

Business advisor, US

“Service design helps policymakers focus their minds on the impact a policy is likely to have on the people who use government services. It lets us prototype policies early in the process, to learn where a policy is likely to fail, and to design improvements that we can be confident will work in the real world.”

– **Andrea Siodmok**

Designer in government, UK

1.3 WHY A SERVICE DESIGN APPROACH?

EXPERT TIP

“It is critical to frame the problem or opportunity carefully. Many companies fail because they address the wrong problem or miss an opportunity altogether. It seems they spend too little time framing (and asking questions) up front, resulting in a *jump* to the solution based on their biases and not on the customer’s needs or desires.”

– Jeff McGrath

There are many ways to create or improve the value generated by an organization. People working on this challenge might call what they do service engineering, or marketing, or quality, or simply management. A few of them – a growing minority – refer to this work as service design. They share a certain outlook and often a common toolset.⁰¹ Service design adopts the mindset and workflow of the design process, combining an active, iterative approach with a flexible and relatively light-weight set of tools borrowed from marketing, branding, user experience, and elsewhere.

It is its patchwork background that makes service design powerful. As a design discipline, it is focused on solving the *right* problem – by framing the problem or opportunity in the right way. So service design usually starts by investigating the needs of the user or customer. It is inquiring and inquisitive, using a range of mostly qualitative research methods to explore the “how and why” of the opportunity space. Understanding needs, instead of jumping straight to a “solution,” makes true innovation possible.

Next, service design adopts the designer’s approach of rapid experiments and prototyping to test possible solutions quickly and cheaply while generating new insights and ideas. Prototypes evolve into pilots, and then into implemented new offerings – and along the way

⁰¹ See Chapter 3, *Basic service design tools*.

there is always iteration. With this strong emphasis on iterations of research, prototyping, and even implementation, service design projects have a firm foundation in reality. They are built on research and testing, not on opinion or (rapidly outdated) authority. And the iterative approach makes decision making in service design a low-stakes activity. **Instead of worrying about getting it right the first time, we can evolve a range of options, and rely on the structured process of prototyping and testing to test and improve our work.**

Many organizations are looking for an effective way of working which makes it easy for people with different backgrounds and responsibilities to work together meaningfully and productively – they are looking for a “silo breaker.” Because the tools of service design have been filtered through a design mentality, they are visual, fast, lightweight, and easy to grasp. They form a common language for collaboration, so cross-functional teams are happy to pick them up and get on with it. The tools can look very simplistic at first sight – they make no effort to encompass the entire complexity of a service system (there are already excellent tools for that). Instead, they filter complexity through the lens of various customer experiences. This makes the approach very powerful: even complex multichannel services become manageable for the team when they can understand them on both a practical and a human, empathic level.

Service design is not only useful to create value for the “end user” or “customer.” It addresses the entire value ecosystem, and might focus on offerings aimed at end users, other businesses, internal partners, or colleagues. In other words, service design works for public services, B2C, B2B, and internal services.

Service design is an intensely practical and pragmatic activity, and this makes it inherently holistic. To create valuable experiences, service designers must get to grips with the backstage⁰² activities and business processes that enable the frontstage success, and address the implementation of these processes. They must tackle the end-to-end experience of multiple stakeholders, not just individual moments. And they must find a way to make it pay, considering the business needs of the organization and the appropriate use of technology.⁰³

With these characteristics, it is no wonder that many organizations are implementing service design methods under whatever name, and that many more are employing service design agencies. Examples in this book alone include banks, airlines, hospitals, manufacturers, telcos,

nonprofits, educational institutions, tourism operators, energy companies, governments, and more – with more organizations turning to this approach every day.

Organizations are faced with the challenge of providing new and better services and end-to-end customer experiences across multiple channels. Service design's borrowed toolset and pragmatic iterative approach uses research and sensemaking tools to focus on stakeholder needs, and prototyping to test and evolve possible solutions before making large investments. **Organizations can use service design to improve the services that they offer now and to develop whole new value propositions, perhaps based on new technology or new market developments.** It gives organizations a way to balance their experiential, operational, and business needs in a robust but approachable manner, offering an unusually powerful common language and toolset for projects that include, empower, and mobilize a wide range of stakeholders.

⁰² “Backstage” refers to processes or actions that are normally not visible to the customer, such as checking in the store room or emptying the trash. “Frontstage,” then, refers to the parts of the process that a customer can see.

⁰³ In the epilogue of their book *Marketing 4.0*, “Getting to WOW!,” the authors and Setiawan state that “In a Marketing 4.0 world where great products and great services are commodities, the WOW factor is what differentiates a brand from its competitors.” A WOW moment is a surprising, personal, and contagious experience a customer has. “Winning companies and brands are those that do not leave WOW moments to chance. They create WOW by design.” See Kotler, P., Kartajaya, H., & Setiawan, I. (2016). *Marketing 4.0: Moving from Traditional to Digital*. John Wiley & Sons, p. 168.