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Three Ways Marketers Can Drive New Service Development

by Mike Cucka

Summary: *Marketing and sales can bring to the table a view to how a particular service or product is integrated with others in the market, and how customers use each (and the bundled solutions) to acquire the benefits they are seeking.*

Developing a product involves taking raw materials and components and assembling them in to something physical. It is founded on the precept that engineers drive innovation and marketing and sales are responsible for taking the innovation to market.

The reality of services is that the customer participates in the delivery of the product (e.g., by installing data management software, analyzing the information it produces and working with consultants). Therefore, a new service development process needs to have active participation early on by the representatives of the customer: sales and marketing.

Aside from defining the opportunity in the marketplace in order to guide development of new service concepts, the focus of marketing and sales must be on packaging. The packaging step, which typically comes near the end of the product manufacturing model, must come near the start of new services - and product-service - development. Packaging makes the intangible elements of a service - how it is performed, the benefits it provides - tangible as early as possible in the process.

By making the offering feel real, services developers provide a structure around which key internal stakeholders can come together to develop the service, and customers can better understand what they are getting, from whom they are getting it and why they should buy it from you. This is especially important as the boundary between products and services grows increasingly blurry.

In the past, the distinction between product and service provider was a bit clearer. A manufacturer focused on producing tangible goods: a mainframe computer, an automobile, an airplane. That changed over the years with the introduction of financing services and maintenance contracts. Today, manufacturers are adding a wide range of new services to products - everything from installation, training, support, maintenance and analysis. These services may support use of the product or, in some cases, are ingredients essential to the functioning of the product itself.

Service providers, in turn, incorporate products in the delivery of their services. This may be in the form of customizations on top of out-of-the-box enterprise resource planning (ERP) systems, and around which strong niche businesses can be built. They may be combinations of service and product that offer customers a way to acquire an attractive, integrated bundled of offerings they may not have the resources or time to assemble and maintain on their own. Or, service providers may use tangible ingredients such as BI analytical tools to help differentiate and boost the value proposition of their consulting offerings.

The simple truth is that whether you are a manufacturer producing a tangible good or a service provider producing a primarily intangible one, you are merely one part of a larger ecosystem involving partners

and producers of complementary products and services. The trouble is, the model for the development of new services (and service-product bundles) is, in most companies, a linear process built on the old manufacturing model of design-prototype-test-market-package-launch rather than the new reality of tangibles and intangibles and the complexity of their integrated parts.

The challenge becomes creating and managing the interplay of tangibles and intangibles in both the service offering as a standalone and then in conjunction with other products and services with which it is designed to interact. Packaging thus involves thinking of how to be clear - how the service you have created works with the range of substitute and complementary offerings available. So, what to do about it if you are a service company looking to expand your services portfolio, or a manufacturer looking to expand into services? Consider how you will package the service by looking at: 1) the fit of your new service concept in the ecosystem; 2) the fit of the service concept to your existing portfolio; and 3) the key artifacts you will use to communicate the unique value the target market can expect from your service.

Fit to the Ecosystem

In the traditional practice of product and service development, a manufacturer focuses on producing hardware or software and tangentially involves service partners (or introduces services after the product is developed). In the new world of product-service and service-product interactions, there is competitive advantage to be gained by taking a more holistic view up and down the value chain.

Among the questions buyers of DM products and services typically ask is: What is your process for doing this work? How will your product or service work within my existing system? While realities of interoperability are factored in to development of a product, the service elements of this are too often figured out near the end of the development process, the sale itself and after purchase. Or, put another way, they are developed during the course of consulting on implementation with the buyer. By considering these service-product interactions early in the service development process, you have the potential to create competitive advantage by better integrating the two. To ensure that you have this larger context in mind, draw a simple picture of the associations between services and products. Ask simply: What are customers trying to accomplish and what are the tools and services they use to get the job done?

By varying the definition of what customers seek to accomplish, you broaden (or constrain) the ecosystem into which your new service will be introduced. For example, what new services and products come into play when the goal of "a better sales forecast" is broadened to include "making sure the right product is always on the shelf when the customer wants it"? Further questions may arise that can help to prompt thinking about the packaging of your new service: What are some of the workarounds customers are using to integrate systems? How are word-processing and spreadsheet programs used in consort with data management software?

Now, this sort of exercise can quickly grow complicated. Start with a few critical dimensions to help get a quick picture of the entire value chain in which the service will be applied. These dimensions mirror the other basic questions customers ask about a service and the nature of service production and delivery: 1) the individuals involved in producing the service and consuming it, 2) the actions taken to produce the service, 3) the time at which or in which the service will be delivered, and 4) the place at which the purchase and/or service delivery occurs. Add to this the benefits provided to the customer, and you have the basis for a one-page picture of what the service will do.

	WHO	WHAT/HOW	WHEN	WHERE
PRODUCT				
SERVICE				

Fit to the Portfolio

Another important consideration for packaging is the fit of a potential new service to the existing portfolio of offerings. In the same way that a successful retailer organizes the physical space of a store to guide customers and motivate purchases - for example, by locating staples such as bread and milk at opposite sides of the grocery store to create opportunities for impulse purchases - so too should the service provider think about how to orchestrate services.

Complement your external look at the marketplace with a view to the organizing principle of your portfolio. The objective should be to have a clear picture of offerings that help customers (and salespeople and those performing the service) to have a clear mental model of what is for sale.

Ask: What are we doing for customers that we do not list as a service? What are others doing? How do we organize offerings to help make the sale? These questions provide an operations-based view to spur the development of new service concepts.

For a major IT research and consulting firm, the challenge of new services development involved quickly organizing offerings both already in existence and under development and then assessing how these should be assembled to present a clear pathway for both customers to navigate the portfolio and salespeople to sell it. Development was a process of deciding which of several alternatives best fit to the mindset of customers, but in order to understand the alternatives, the firm first drew a portfolio roadmap (here, simplified):



This roadmap, which was aligned with needs of the target customers to which the service package was sold, provided a simple mental model of offerings for both sellers and providers of the service. To wit: the briefing and strategy workshops were gateway offerings designed to drive trial and familiarize the buyer with the firm's unique capabilities. Depending on the needs uncovered in the session(s), the customer might be directed to a tactical fix or strategy development, or a benchmark assessment might be established that could drive further opportunities during the course of the year.

We've found a mental model to be helpful when discussing new service concepts and especially when these will be produced by individual business units in cross-sell situations. Managers clearly see the interrelationships of their offerings and are reminded that the products and services complement each other.

Start by thinking about a specific target customer or market. Map your portfolio according to how it matches to their needs: What is the gateway offering? Which are the analytical offerings? The strategy offerings? The tactical, implementation and longer-term support offerings? When you then factor in the results of your analysis of the larger ecosystem, you can begin to see how your offerings compare to others in the market and where new service development or service revitalization may be necessary.

Key Artifacts of the Service

Unlike tangible goods, which throw off experiences, services are experiences that need to throw off tangibles. These tangibles are called artifacts, and good services have them. They are concrete

manifestations of the delivery of the service such as: the McKinsey consulting deck; an SAP white paper on data management Integration; the distinctive interior of the Iron Mountain records management center.

Agreeing on what the best artifacts might be up front helps to not only drive the conversation to understanding what the customer gets but also reveals the internal coordination that will be necessary in order to deliver on the promise. Ask: What is the physical signal to the customer that they are experiencing the particular service (and not one offered by competitors)? These artifacts of service offerings are tangible signals of what the prospect's experience with the firm will be like. But if your artifacts are no different than your competitors' or are poorly conceived, you've done little to help prospects overcome their hesitation.

Take an inventory of the artifacts you use to help convince prospects to do business with you. Compare them to those of competitors. Look for ways to make your artifacts reflect a depth of understanding of client needs. For example, Iron Mountain uses standardized white boxes with the Iron Mountain logo to hold records, communicating a consistency and clarity of organization customers would expect from a firm selling information protection. Dell, whose customers cannot touch a Dell laptop prior to purchase, uses a picture of a ream of paper to help buyers assess the weight of the product.

Effective expressions are ones that work together to progressively reinforce the benefits that customers realize from your offering. An effective expression, beyond fulfilling its intended objective of promotion, persuasion or reinforcement of practice, is one that:

- Can be uniquely associated with your firm and its service. At the simplest level, this may be a branded expression such as your logo or company name (e.g., the FedEx express mail pack) or some similar wrapping.
- Expresses the positioning and/or point of view you are taking to market.
- Provides insight into the service that helps to create expectations for delivery and outcome.

A good exercise at this point is to conduct an evidence inventory identifying artifacts and mapping them to both the portfolio roadmap and ecosystem pictures you have drawn. You can also include key successful differentiating artifacts that competitors use. Then evaluate the key dimensions of your service and market positioning to decide which represents the best opportunity to create new offerings and the artifacts that will differentiate them. Ask questions such as: At which points in the ecosystem or roadmap could we provide tangible artifacts of service delivery that would drive our competitors crazy? What would it take to drive them crazy?

As more and more firms - both manufacturers and service provider - look to launch new services and create product-service and service-product bundles, differentiation will become ever more important. To better differentiate these offerings, involve marketing and sales early in the process of new service development. Marketing and sales can bring to the table a view to how a particular service or product is integrated with others in the market, and how customers use each (and the bundled solutions) to acquire the benefits they are seeking. This holistic picture of not only market needs but also the ecosystem into which services will be launched is key to successfully conceiving and introducing new services.

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