

Delivering breakthrough service and growth

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Mounting competition and ever-more demanding customers mean that companies must deliver exceptional service.

Delivering great service, though critical for most companies, is hard to achieve. To do so successfully, they must innovate and continuously improve their service models.

In their article, "[Developing a Breakthrough Service Model for Profitable Growth](#)," published in *The European Business Review*, [IESE professors Philip Moscoso](#) and [Alejandro Lago](#) propose a holistic view of service delivery that ensures coherence between strategy and operations, as well as between clients' and employees' needs.

Their article offers clear guidance for service organization managers who want to help their firms deliver great service, all while making a profit and helping the company to grow.

Across-the-board service delivery

By service, the authors mean the whole experience through which a firm satisfies customers' needs and creates value for them. This experience includes not only the product that is offered, but also the entire delivery process and experience, throughout which the customer should be an active participant.

Keeping in mind that the delivery of services is made up of tangible and intangible elements, the authors outline four basic steps for developing a sound service model.

1. Define target customers

Companies must carefully define the customers to whom they wish to deliver services. Good service design requires proper customer segmentation, especially given that the more broadly defined the market is, the harder it is to provide excellent service.

Consider, for example, a guided tour of an art museum. The more mixed the tour group is in terms of knowledge, interests, age and geographic origin, the harder it will be to satisfy everyone in the group.

2. Set value proposition

Once a company has identified the target market and outlined its characteristics, the next step is to design the value proposition.

When managing the various elements that create value for customers, it is important to understand that customers' assessments will be determined by their expectations and perceptions of the service. Only if their perception is better than their expectations will their level of satisfaction be positive.

Companies need to bear in mind that each customer's perception and expectations are subjective and, therefore, highly personal. Even with *a priori* objective aspects, such as the time spent waiting to be served, what ultimately matters is the subjective impression the customer draws from that personal experience, i.e., whether the wait *seemed* long or not.

The manager in a service organization can and should actively seek to manage these subjective perceptions and expectations. Paying attention to them when designing and controlling the service interface can make all the difference between satisfied and dissatisfied customers.

3. Define operational strategy

Put simply, operational strategy focuses on how to make money selling a value proposition to a firm's target customers, i.e., how to leverage value over costs. It also includes the question of how to compete against other value propositions in the market.

In the case of a restaurant, for example, they can compete by having an excellent location, or a great chef. Alternatively, they could opt for lower prices or healthier food.

Ultimately, however, there are only two main lines of action from which companies can choose. The first is to increase the value they generate for customers, such as through personalized or higher quality service.

The second option is to reduce the cost of providing the service, such as making operations more efficient, or reducing the supply of services or capacity. Obviously, these cost savings must always outweigh the decrease in perceived value for customers.

Cirque du Soleil is a good example. Instead of offering the usual circus favorites, Cirque du Soleil opted to raise certain value attributes above the standards set by the competition, as it did when it created the Grand Chapiteau, the company's emblematic "big top" arena.

It also added attractions its competitors did not have, such as dance shows and a storyline for each production.

These various elements help to increase the value perceived by the customer. At the same time, Cirque du Soleil has managed to reduce costs by hiring lesser-known performers and refusing to use animals in their acts.

4. Design service delivery system

Service proposals must be backed by an appropriate operating system. The authors recommend that companies base the design of their service system on the "customer corridor" model. This is the service delivery process through which the customer passes.

In the customer corridor, there will be "moments of truth" when customer satisfaction is predominantly determined. By listening to customer needs and suggestions, and intelligently managing expectations, problems in the customer corridor can be avoided or corrected.

The good news is that even negative incidents can result in customer loyalty if a good recovery is made. After all, customers understand that companies make mistakes. The important thing is whether they feel the company is trying hard enough to fix them.

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