

Service Management and Experience Management

Two Sides of the same Coin?

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Service Management and Experience Management: Two Sides of the Same Coin?¹

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This talk is about the branching out from Marketing of two new areas: Service Management (SM) and Experience Management (EM) and how these areas are interrelated but also differ. I draw on earlier research on this theme by myself and other scholars. (See reference list at the end) First, we make a short back-look at the development of marketing.

The short recap of history of marketing

This section is adapted from Mattsson (2008). Marketing has developed over the last 100 years or so from economics, psychology and sociology. Marketing became a subject in business schools in the beginning of the twentieth century. Americans invented academic marketing and they still dominate the area. At the end of the 19th century mass production of consumer goods had a strong demand from economic growth in the US and Europe. The main problem was then warehousing and distribution. That is, how do we reach consumer markets with undamaged goods? Consumers bought what was available and branding started to appear to differentiate products from each other. The task of marketing was to get products to markets and inform about content and producer. This was the situation up until the First World War. The 20's saw a surge in economic activity and the emergence of new brands. Advertising developed into a profession to persuade consumers of the superior attributes of products. The great depression made consumer demand shrink and unemployment rise. Marketing had a standstill.

After the Second World War in the 50's marketing developed into "selling what we make well". The demand for new products and services was huge. Economic recovery was fast because of the Marshall plan for Europe. Market share became the mantra for marketers. As competition increased in mature markets marketing took up the idea of promotion, market research and the 4Ps (Product, Place, Promotion and Price) in the

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60's. The need for more advanced tools was evident. The root metaphor was "mix", that is by combining the marketing efforts in a multi-dimensional plan one could get a more efficient outcome. This is still the framework for most of the marketing text books in academe. The 70's and 80's see the introduction of the so-called generic marketing concept (marketing applied to everything) and segmentation and positioning. These ideas are refinements of the existing root metaphor: "mix". By being even more precise about how consumers are grouped (segmented) and how they perceive products (positioning) more efficient outcomes are expected from marketing. However, something happens at the end of the 80's.

The introduction of relationship marketing (RM) led marketers to focus on delivering superior value to customers. The customer relationship becomes the focus instead of the transaction. This is a big step from manipulating consumers, markets or segments. Now the issue is the individual relationship with each customer and the value delivered by marketing. We ask ourselves: what values are important? Who is to determine these values? These ideas were put into technical platforms to monitor transactions and evaluations of customers. The Internet and IT-systems made inroads into marketing in the form of systems for customer relationship management (CRM). These systems were meant to manage each individual customer and relevant transactions to gauge profitability and other outcomes. Now we know that the effectiveness of CRM is in doubt. RM is not a universal philosophy.

Analysing the trends of marketing

Much of marketing carried out during the latter half of the 20th century concerned how to improve segmentation and adjusting the marketing mix to make marketing more effective by paying lip-service to fads such as: micro-marketing, mass-marketing, mass-customization and one-to-one and many-to-many marketing. Much of this has been focussed at *market to* customers or segments. Furthermore, poor implementation has been the problem with much marketing in the 80's and 90's. There has also been an age-old (100 years!) debate about the divide between marketing academe and practice (Mattsson et al 2006). This debate has over the years matured into a debate concerning the role and relevance of marketing as a discipline; what has been termed marketing's mid-life crisis. This more recent debate has centered around which duties marketing is

to fulfill to its multiple stakeholders. Some people even suggest that marketing, as a function, is dead.

As we see in Frame 1 there has been a migration of thought over the years both in marketing (the main area exposed here) and in management. Let us take the first row in Frame 1. In the early days (beginning of the 20th century) the issue was getting things *to market*. Logistics and warehousing were important. Demand was waiting for you. The discipline (when this author was at university) was even called distribution economics.

This changed after the Second World War. *Market to* became the issue. As competition rose new tools were needed to gain competitiveness. The so-called generic marketing concept could be applied to anything. Hence: “ service was considered as both a type of product and something of a 5th P” (Lusch et al 2007: p. 6). However, the Service Dominant Logic (SDL) presumes that customers and other stakeholders are *operant resources*, that is independent agents able to co-created value (Lusch et al, 2007). This view advocates that what is delivered is service and that value in this service delivery is always co-created by the customer. Hence, value arises form the interaction during the service encounter. You *market with* someone. Value is always co-created. Marketers are only able to offer a value proposition (Mattsson, 1990).

Frame 1: Transformations of key concepts

Premise: To Market, Market To and Market With

Offer: Goods, Goods and Services, Collaborative Services, Experiences

Focus: Outcome, Outcome/Process, Process, Value

Perspective: End, End/Means, Means, End (Experience)

(Partially adapted from Lusch et al 2007; Mattsson 1996)

Hence the focus has shifted from product (end or outcome) to products with service, to understand that services are derived from the use of the product, and must be delivered after the sale. Services were seen as a lever to improve competitiveness. That led to “the breaking away” from product marketing. Service marketing took over and focussed on how to operate the service process. This lead to the inclusion of two related management areas: human relations management and operations management, because you needed to extend the marketing theory to include related theory concerning contact employees and how to structure the internal process. This merged the three

areas into what has been termed service management. Now the issue is: what is the difference between service management (SM) and Experience Management (EM)?

Let us take a look at Frame 1 again. When services were added to the concerns of marketers adjacent management areas followed suit. A more complex process had to be managed to deliver service quality. Service became a field apart and became accepted in marketing journals as a worthy topic. The focus was the service encounter, and most studies in the early days concerned the service *encounter*, that is to say the face-to-face customer interaction with the company (Mattsson 1994). Core topics were, service quality, satisfaction and loyalty. This meant that the customer was all-present and that all kinds of interaction was of importance. The literature dealt with: service breakdown, complaints and recovery strategies. What systems need to be in place to handle an effective process?

The customer came to be seen as a co-producer of service, because that is what (s)he is in most situations. Being a co-creator is a first step to becoming a co-creator of service (or innovation) or co-value creator as the outcome. Hence, the *nature of the offer* has over the years changed from product to both product and service to service, and ultimately to experience. (See Frame 1)

The focus has straddled this development. Products were tangible outcomes. Then both outcomes and the process delivering it came into focus. When service took over as the all-embracing SDL the process per se mattered. It is where value is co-created between stakeholders in networks. And, now, this is where EM comes into the picture.

What is new with Experience Management?

The paper by Pine and Gilmore (1999) suggested something important about societal change; a global world that was on the move towards hedonic experiences. Translated to management speak this meant that the perspective taken on service, when co-created, changed from being seen as *means* (to an end that is satisfaction and loyalty) to being seen as an *end in itself*. Hence, the end is an experience (with a strong value impact: See Frame 1).

If we were to compare SM with EM we can tentatively arrive at the following conclusions. First, SM has developed over the years as a comprehensive set of customer-centric management tools that operate for all kinds of services. The problem of integrating at least three perspectives, namely, customer, manager and that of employees was at the forefront. The service process was in many cases rather linear and could be mapped as to *the line of visibility* from the customer's view. It was assumed that all kinds of services, hedonic or basic, could be managed by theory developed.

Second, when the idea of the *experience as an end in itself* came up, both focus and perspective shifted. Value (Mattsson 1990) became the focus and the perspective taken was what creates value, namely the experience. The experience became the carrier of value, thus replacing the old idea of the encounter and its derived outcomes, such as satisfaction and loyalty. Hence we have shifted away from the encounter to the experience.

Third, when the end-in-itself is an experience, more perceptual and emotional aspects become crucial to manage. The service scape was a construct used to label the surrounding environment in which the service delivery took place. Emphasis was put on arranging the tangible elements so as to improve service quality. The service scape was just one variable among others. Instead what happened was that some scholars took the experience as an ultimate end and asked themselves: what is the core drivers of value? In creating the experience, we co-create (in conjunction with users/customers) all values *in situ*. Consequently, intangible elements (atmospherics) become relevant such as connecting with customers through both emotions and logic. The idea is to appeal to a variety of senses to instil inspiring thoughts and feelings about pleasure and comfort. Marketing aims at building the brand to comprise these positive feelings. In essence, you want customers to sense, feel, think and relate to your company or brand (Schmitt 1999).

Fourth, many elements in SM and EM are similar. Key propositions for EM are to align employees (in the experience), to turn customers into advocates, to engage customers emotionally and to capture their hearts and minds. This is similar to general

principles of service marketing. The aim is to enhance company profitability and competitiveness.

Fifth, we can however note that focussing on the experience as a complex value proposition (which is to be co-created) often necessitates a *project*-approach. Think about mega events such as the Olympics or great opera performances. A number of suppliers are incorporated in such a project. They all have to be co-ordinated in a number of ways. In SM the idea is to get mileage out of standardisation of processes, even though customers may chose different services. Services should be Fail-safe, that is certified against break-downs.

Sixth, EM differs mostly from SM in the more *holistic* aim to add emotions to the service by taking note of important cues that help build this rapport with customers. The counterpart is either the brand or the company (as a brand). It is akin to Relationship Marketing thought (RM) in the sense that it strives to add emotional bonds to business relationships. One could argue that it is an extension of RM that is suitable for service with high levels of artistic or cultural content. By using highly advanced and interactive service environments (supported by IT technology) a more holistic outcome can make a stronger emotional impact.

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