

# CHAPTER 10

## USING SERVICE TO BUILD BRANDS



This chapter is about service and the strong link between service and brands. Service, used correctly, can be a crucial element in building a strong brand. However, the process is not just one way - branding can reinforce service provision and help to overcome some of the difficulties often found in managing customer service.

### What is service?

The dichotomy of product and service based businesses is generally false; at least for product businesses. There must be very few, if any, businesses where products are transacted without some element of service. Moreover, the success of the business will depend just as much on its customers' satisfaction with that service as with the product - the steel rod may meet all the technical parameters required, but this is no use if delivery is late and unreliable.

Using the example of steel rod, elements of service in a product based business include the following:

- **Sales** A manufacturer of products such as steel rod depends on sales activity to bring in business, but from the customer's perspective, sales is also a service offering benefits such as; an understanding of their requirements and translating them into a technical product specification, a facility for placing orders, a point of contact to chase-up and so on. The customer will experience this service in a variety of ways but with an emphasis on personal contact; meeting or phoning sales representatives, internal order takers and the reception staff of the rod manufacturer.
- **Quality assurance** The rod can be physically tested by the customer for conformity to the required specification on a consignment or sample basis. However, increasingly, customers expect a guarantee of quality assurance levels as part of the manufacturer's service.

- **Packaging And Shipping** In consumer and some industrial products, packaging is taken for granted or even regarded as an integral part of the product. However, even with unpackaged products such as steel rod, there are related services meeting customers' needs for batching and product/batch identification. This might be achieved through a standard method of tagging, with well designed and secure labels fastened to rod bundles.
- **Delivery** No product manufacturer can afford to neglect offering a satisfactory delivery service; this is, in nearly all markets, one of the "drop dead important" issues. Aspects of delivery service include delivery times, special express services and, often, above all, reliability of delivery. The service may in some cases be linked to a customer's own "just-in-time" production methods.
- **After sales** In the case of complex equipment, the ability to offer an effective after sales maintenance service is often seen as the service element and may be the nub of the contract between supplier and customer. However, all products have some potential for after sales including in the case of materials such as steel rod, the ability to offer application advise and trouble-shooting.
- **Finance and credit control** These are usually seen as activities protecting a firm from its customers rather than as a positive service to them. This is the wrong approach. Credit control handled well can both achieve the financial objectives and appear to customers as at least a comparative benefit (compared with the poor performance in this respect of other suppliers).

This is not by any means an exhaustive list of service aspects in a manufacturing company; others could be added including product development. In service based businesses, there is either no tangible product or else it is recognised as being only a part of the total value of the transaction (eg the cost of materials used in vehicle servicing). However, such businesses not only involve the core service (vehicle maintenance, building work, cleaning etc) but also other services comparable to those found to be bound up with the supply of physical products including sales, delivery (keeping to timetables), after sales and credit control. Many service businesses are good at their trade (the core service) but woefully neglect important aspects of customer service.

How big is the service side of manufacturing? The combined global sales of all manufacturing companies involved in making goods such as cars, computers and clothing are put at about \$15,000bn a year. Of this, 10 to 20 per cent is claimed to come from some kind of service function, whether it is charged for separately by the company or included in the price customers pay. A study by McKinsey, the strategy consultancy, says that more than one-fifth of all revenues of the durable goods industry in the US - encompassing manufacturing fields that include machinery, appliances and vehicles - come from services associated with the products.

Regardless of its particular type, service is a customer experience. In fact service is all customers' experiences

arising from dealing with a supplier, except those that arise directly from their consumption of a physical product. The choice of the term "experience" is deliberate - it points to an important feature of service. That is that the customer can only be satisfied with a service as it is performed (experienced), no reliable method usually exists to test it beforehand (as is possible with many physical products). Samples of steel rod can be tested prior to an order being placed but whether the delivery is on time can only be experienced after commitment. For this reason, elements of service such as delivery and after sales become very important in commercial relationships and are often the basis of a supplier's position in the market.

A positive reputation in these respects underwrite market share and is largely why stable business is possible. Conversely, the importance attached to a proven track record in these matters is why it is often difficult for a new supplier to break into the market or at least make rapid progress. However, service reputation is not immutable; a new supplier can make in-roads by offering improved service and a market leader can lose position by neglecting standards. Also poor performance in this context makes a bigger impact than good performance and a position is often lost through mistakes in managing service functions.

A problem in using service as a positive marketing tool is that much of it is personal and ephemeral. This is particularly the case with sales service and sometimes after service. We can plan sales call frequency to ensure that all (or all important) customers are regularly contacted. We can also, through such as sales contact reporting methods, try and ensure that sales visits are used profitably to identify customers' needs. However, sales service is not delivered by machines but people and, in the end, sales service, relies on interpersonal skills. If, however irrationally, I cannot stand Acme's representative, little will come out of even the most carefully planned sales visit. Another aspect of this is that personally based services such as sales, are difficult to control. We can ensure the product is made to a consistent and uniform standard, is packed effectively and goes out of the factory on time but what the sales representative gets up to is another matter and (as a manager) I may never really know. Even where personal service is carried out to a high standard there are potential problems - as we have said earlier, if what gives a company the edge in its market is the personal skills of the sales manager, there is risk of losing customers if he leaves and either goes to work for a competitor or sets up on his own.

Providing any service has a cost. In the case of some service aspects the costs of providing a high rather than a poor level of service are marginal. For example, the wage of a poor receptionist is the same as for a good receptionist and the only difference in cost is that of taking extra care in recruitment or spending a modest amount on training. However, in other areas, providing enhanced service has an incremental cost which we hope can be paid for through the value of increased business or by making additional service charges. In some markets, a situation may be reached where the competitive provision of customer service produces a spiral of falling margins comparable to a price war, with victory to the companies with the biggest war-chest. In the end this cannot be sustained and some alternative, such as positively managing customer service, expectations has to be devised.

In summary, therefore, service is an important element in all businesses and provides a means of gaining and keeping a competitive advantage. However, it is often provided on an exclusively personal basis and almost certainly this has a cost. As we shall show, the linking of service and branding not only increases the power of both but helps to overcome some of these problems.

### Service and branding

Branding is communication. Brands exist to the extent that they and their values are successfully communicated to the marketplace. Often, communication, in relation to brands, is thought of in terms of promotion; media advertising, direct mail, sales presentations, PR etc. However, arguably, these forms of brand communication are secondary to experience of the brand - to build a brand usually requires promotion but this must be linked to maximising customers' experience of the brand. This experience is in two parts; the product (or in the case of a service business the core service) and the service aspects that support it.

Service is, therefore, intimately linked to branding in a two-way process. Enhancing customer satisfaction through service aspects helps build a strong brand but equally, branding reinforces service and provides a means of overcoming some of the problems of service provision.

The aim of branding is in the end, to help build profitable business. This is achieved in four ways:

- **Awareness** The brand provides a focus for awareness of a company's range. There is really little to say in this connection about service. Service is not, as such, used to create awareness for a brand although awareness building activities of a brand can be as much concerned with service aspects as the product range.
- **Differentiation** This is often the core of branding. The aim is to create a unique brand and an expectation from customers of a unique experience. This can be in terms of either the products or the service and as we shall see the branding of the service provides a solution to some of the problems found especially in the more personal services. Equally, however, service, as we shall argue shortly, is a means of creating and sustaining differentiation.
- **Positive perceptions and expectations of the products (and services).** Largely this is only another aspect of differentiation. The brand is differentiated through creating positive expectations and providing these are fulfilled the product and service experience sustains the differentiation of the brand.
- **Added value.** A successful brand gives added value to a product. In practice the service associated with the product may be the basis of this added value. Equally, however, branding may provide a means of solving the cost of service problem.

Two aspects of branding, therefore, have a strong link with service - differentiation which is discussed next and added value which we return to later in this chapter.



## Service and differentiation

There are obvious attractions of a business based on unique products. Whether or not the world will truly beat a path to his door, the man with the better mousetrap has at least a head start. However, in many industries differentiation through unique products is difficult to achieve or keep for long. This is obviously the case with products at the commodity end of the spectrum and even products with a significant level of manufacturing input are often required and made to a common standard throughout an industry. Even in technically advanced businesses with high levels of design input, differences between competing ranges are often marginal. The uniformity of the underlying technology and its global dissemination is a major force reducing product differentiation. Of course the pace of product innovation continues to accelerate and the number of new product launches is growing. However, the lead achieved through new products (and, therefore, product differentiation) tends to be held for shorter and shorter times. Notwithstanding patent and design rights, access to universal technology ensures that any product lead is short-lived. To build a business on the basis of long term product differentiation is increasingly an untenable strategy.

Branding itself is of course the major antidote to non-differentiated products. As argued elsewhere the association of the product with a strong brand and with core values matching up to market needs, is the means of achieving a product range which is perceived to be in some way different and special; a range which customers positively want to buy. The products are seen to be different because of their brand. In part this is achieved through positive communication of the brand values in promotion. However, no branding, no matter how well promoted, can bridge too big a gap between perception and reality. If no difference is experienced by the customer, differentiation will erode. Service provides the means of achieving such "real" differentiation and provides benefits which are continually experienced by customers.

Earlier in this chapter, we outlined some of the common types of service backing up a product range; sales,

quality assurance, packing and shipping, delivery, after sales and credit control. Any of these can be a basis for differentiation; the company is seen to be unique because the service backing the product range is different or unique. This difference might be that the level of service performance is perceived to be so high as to be unique or that the service is seen to be offered in a special and unique way. Examples of service levels can be in response times to enquiries, delivery times from orders, performance in meeting delivery dates and speed of after sales follow-up. Unique forms of service might be found in the sales function (eg a special way of handling customer enquiries), quality assurance, packing and shipping (eg in product labelling), administration of delivery (eg exact delivery times, the demonstrable commitment of delivery staff) and a unique method of organising after sales.

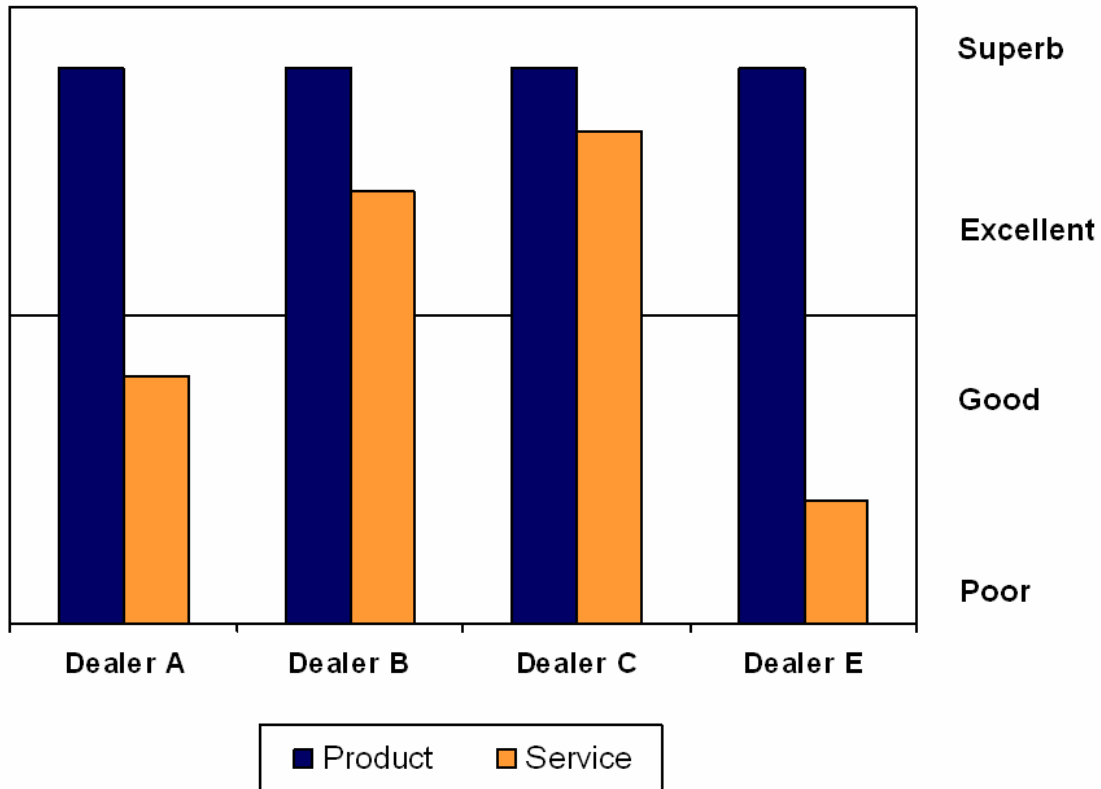
The specific aspects of service on which differentiation is to be built must always be based on the market's and customers' requirements and needs. Possibly the underlying need for the service is not currently met or is met badly. The company able to identify this need and able to incorporate a better service into its brand can, in this way, gain a competitive advantage. Often this insight into customer needs is intuitive and comes from continual contact with the marketplace. However, formal market research also has a positive role to play and where budgets allow, research should be at least considered when planning brand development through service. This is an area where both qualitative and quantitative research have applications; qualitative research (group discussions etc) to understand the nature of service needs and quantitative research (ie measurement) to establish satisfaction levels with existing suppliers. Research is also a tool to monitor the effectiveness of service improvement programmes.

Once having identified the service needs of customer service, the areas which are to be the basis of differentiation can be selected. Quite possibly some service areas will be vital to customers but not as such to be a basis for brand differentiation. Following day delivery, for example, may be a critical requirement but if this level of performance is a condition of staying in the business, all suppliers will offer this level of service and it is not a basis for successful differentiation.

The best general advice is to do it differently and do it better. Not only, therefore, should the service meet customer requirements but it should be possible to develop the service in a different way and perform it better than current suppliers. Devising such a package is clearly a creative activity which can be helped by brainstorming or qualitative research. For example, a supplier of lawn care equipment for professional sports grounds carried out a survey of grounds men to see how it could improve its service. Just one respondent gave a clue which was turned into a great service differentiator for the company. He said that he hated having his equipment taken away for service as this often coincided with a time when it was needed. This led to the idea of equipping a van that could do the service on-site offering a quicker turnaround, cheaper costs because there was less transporting of equipment and the grounds men were not bereft of their mowers.

Another factor to consider in developing (and providing) a service is consistency. Branding implies uniformity

in critical aspects of both products and service. There may be a case for really excelling in some service areas rather than others (the differentiating areas perhaps) but inconsistent performance will undermine the brand and in the long term the business. It is not acceptable, for example, for some service staff to have first class customer handling skills but for others to be appalling. Such abilities cannot be left to chance and all staff must be trained to a common and high standard. Figure 10.1 illustrates this point.



**Fig 10.1 – Inconsistent Service Destroys Branding**

To ensure consistent standards of service, monitoring is required. This may be organised in-house, through customer satisfaction surveys carried out by a research agency or, where practical, through "mystery shopping" programmes. The latter involves researchers posing as customers and objectively recording the standard of service received. However, although this is a very effective technique, it is just impractical in many industrial markets; even the most skilled researcher cannot pretend to be a buyer of power stations.

Not only should the differentiating service be done better and differently but customers should be told that the service is better and different. The service approach can, therefore, be featured in brand promotion so that the experience of the service is both reinforced amongst existing customers and awareness of the service based uniqueness of the brand communicated to potential customers and the marketplace generally. Media advertising, direct mail and personal selling all have a role in this respect. In the case of customers, however, thought should be given on how service delivery can be symbolically marked. Service experience is on-going but it also transient. Breakdowns in service levels are noticed by customers but performance is often taken for

granted - the nine times out of ten that after sales response is within half the maximum response time makes no impact when the tenth occasion is within three quarters of the maximum but is perceived as "late" – because it is, relative to the other responses. Wherever possible, therefore, the delivery of the service should be physically marked and examples might include quarterly reports on after-sales response, quality assurance certification for a product batch and delivery notes demonstrating the fulfilment of timing promises.

Building brand differentiation through service will take time. Not just the time to plan the service changes and implement them but also the time needed for customers to experience the enhanced services and become convinced that they are special and unique to the brand. Reinforcement of the service changes through promotion will of course help cement differentiation but a significant time period, varying between markets, will be needed before benefits are reaped. However, because time is required for customers to acquire experience of a service, competitors cannot easily and quickly take business through promising the same. Unlike a product, a customer can only evaluate a service through experience and until then the service is no more than a promise. To buy from a competitor, therefore, becomes a risk because, although the product appears the same, the true service that backs it, is unknown. A brand, therefore, differentiated on service, rather than product features, has strong defences against competitors. The investment in service differentiation must, therefore, be thought of as a long term strategy but one with real pay-offs in the future. Conversely it is generally not a means of quickly turning round flagging sales.

### **Service and added value**

One important aim of branding can be to add value. Because of the brand association and backing, the customer attaches a higher value to the product than might be expected from its intrinsic "worth". Profit may be taken from such added value through premium pricing or gaining higher sales (because of their added value the demand for the products, against competitors increases).

Like other aspects of branding, added value must be perceived by customers to rest on some "real" benefits. In consumer markets these may well be psychological benefits created through brand advertising, but, for the most part, in sober industrial markets the benefits will have to be more utilitarian. Service enhancement is generally the best approach in this respect. The product, as a result, has a higher perceived value because of the level or different nature of the associated service. This brand of steel rod offers delivery within a two hour window advised beforehand. Like all copiers, brand X will break down but the support service is such that downtime can be expected to be no more than two hours. The statistical control techniques used in the manufacture of a material means the variability of a critical element is within a narrow and known range. In all cases, in these examples, it is the service which distinguishes the product and increases its value to the customer; service creates added value.

As we noted earlier, services are not delivered free. Improvement in levels of service will involve at least initial

costs and the costs of offering a different type of service may be on-going and significant. However, if the service has been planned, and is based on customer needs, it will be seen as worth something by customers. This added value provides a means of recovering the cost of the service - either through premium pricing of the product or through the additional contribution generated by increased sales of the product on the back of added value. Providing, therefore, the service that supports a product is planned well, there is no charge on profits and on the contrary, enhanced service is a route to a more profitable business.

## **Branding personal services**

Some aspects of service are very people based. Sales activities in particular, but also after sales and some other areas are often seen as personal services. As discussed earlier, personal services have intrinsic problems including the difficulty of control and vulnerability to personnel changes. At the worst your top performing salesman may leave with your best accounts.

Linking-in services to the brand can much reduce these problems. With brand promotion, customers recognise that they are buying a well supported brand with many facets rather than just being supplied with the product by the salesman. Of course, this is not to denigrate the necessity of personal skills in selling (or any other service aspect) but handled in the right way, these skills will be seen to be as much a function of the brand as the man. The salesman is expected to be good because he is from Mercedes (who, it may be thought, select and train only the best).

The means of achieving this linkage between brand and service is through general promotion of the brand and its core values but also by explicitly branding sales (and other personal service) activities. Salesmen are required to present themselves to a minimum standard, to use the brand name correctly, to be trained in the brand "story", to use brand literature and so on.

Branding is also a framework around which to control personal services. Because the brand and its many symbols are presented in a uniform way, variability is reduced and, by definition, control is increased. High levels of service, and especially personal service, is very people dependent and necessitates good training programmes. Branding must, however, be central to this training. The sales staff and all others concerned with the delivery of service (to some extent this must be everyone within a business) must understand the company's brand or brands, the values built in and how this translates to everyday and mundane activities.

## **Managing service expectations through branding**

In recent years there has been a far greater emphasis on the type of service back-up we have discussed. Whether this has reflected initial unfulfilled expectations in the marketplace or whether the improvements in services provided has raised expectations is of only academic interest; probably both factors have interacted.

As mentioned earlier, this may in some markets lead to an escalation of competition on service, with, in the long run all suppliers loosing out; much as in a price war. The linkage of branding and service, however, can provide a means of managing customer expectations and thereby escaping the problem.

We have argued that service is a means of enhancing brands through differentiation and stimulating positive perceptions. This is true but it is not a one-way process. Strong brands can also positively influence customers' perceptions of the service backing the brand. To an extent at least, the service offered is valued because of its branding as well as vice versa. All the means to strengthen brands through promotion, discussed in earlier chapters, will, therefore, strengthen perceptions of the service offered and reduce the extent to which comparisons are made with competitors' service. Service is, therefore, insulated from competition and customers are less likely to take the initiative in stimulating a service war between potential suppliers. Part of the strength of successful branding is that it defines and sets boundaries to good service - the level offered by the leading brands. Service may well have contributed to the position of the brand leaders, but once established an element of stability is built into the market including in the area of customer service expectations.

### **Service planning**

To build and maintain brands through service, planning is as important as in other areas of marketing. Service planning should be taken every bit as seriously as product planning with adequate budgets made available. Plans must meet each individual circumstance but in all cases there is an underlying logic to follow:

- 1 A review of market requirements for service - what are the needs and what services can or do meet these needs?
- 2 A critical review of existing service provision. Obviously the emphasis is on your own business but ideally this should also extend to the service offered by competitors - satisfaction with service provision is largely a relative matter. This review must be objective and, budget permitting, formal market research is usually the best approach.
- 3 Planning the launch of new or improved service back-up with feedback to establish the match to the identified need.
- 4 Linkage of (the new) service to branding through all relevant promotion activities.
- 5 Monitoring of service provision and the impact on perceptions of the brand. Except in a vague and loose sort of way, this can only be done through formal market research using the approaches outlined in chapter 7.

## Summary of chapter 10

Services are already built into most industrial products and it is estimated that they account for between 10% and 20% of the value of the products. This proportion is growing and it offers a great opportunity to differentiate a product and build a strong brand.

Important elements of service include; sales, quality assurance, packaging and shipping, delivery, after sales support and financial aspects.

Service is a customer experience and is of major importance in a supplier/customer relationship. Service must be proven and until then it is just a promise. This is why me-too copying is often harder for service than for products. Service can, therefore, defend a brand effectively against competitors.

Many services have a strong element of personal relationship and this can be strengthened and made more durable by branding (as well as in turn helping to support the brand).

Providing a service has a cost but when linked into branding the cost of service can often be recouped through added value.

Service is an effective means of achieving brand differentiation and increasingly more so than through attempting to base a brand solely on short-lived product features.

Service should be based on customer needs with the aim of doing it better and differently. The benefits of the service component should be positively communicated to customers including by tangible symbolisation.

As much care should go into planning service as products. This should cover; a review of the market's requirements, a critical review of the existing service provision, the launch of new or improved services to meet requirements, linkage to branding, monitoring service provision and if possible measuring, through research, the impact on perceptions of the brand.