

The Services Value Continuum[©]

By Al Hahn

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Services and value are very good companions, like bread and butter. Each can stand alone and contribute different attributes, but together they do things that neither does as well alone. To create the greatest, longest-lasting effects, services and value must work together and complement each other at many points. We at Hahn Consulting believe in this concept so much we teach a value-based sales methodology, which continues into our training on negotiating. Focus on selling the value of services and customers will buy. Similarly, when we train people to price services, we teach that using Value-Based Pricing is a Best Practice when compared to other pricing systems. There are many other examples: services and value go hand-in-hand.

To help people better understand and implement service value programs, we have put together the service value continuum that is listed below.

The Services Value Continuum

1. Research what customers value, particularly unmet needs
2. Design these valued attributes into your services offerings
3. Value-price these offerings
4. Sell the value of these offerings
5. Do not give away or greatly discount these offerings
6. Deliver the value promised in the offerings
7. Measure customer satisfaction
8. Reinforce the value to the customer and improve the service

Some individuals have an intuitive sense of how to make this continuum work, but let's expand on these points, starting with researching what customers value. Most vendors assume that they know what their customers value in a service; however, very few actually know or understand their customer's needs. It is not simply learned by asking what a customer wants. Few customers have a concept of what they could want or what the vendor could really deliver. This research must be done by marketers or market researchers who are familiar with services. It involves uncovering unmet needs that the customer has, as well as testing some attributes (features) to get a sense of what drives their value considerations. This type of research cannot usually be accomplished with a simple Internet questionnaire, as is popular today, but requires a market savvy person to actually *discuss* service issues and business challenges with the customer. When we understand what keeps customers awake at night, we have found an area worth brainstorming in regards to the services we could provide.

This leads to the second step: design value into your service offerings. Value is not best added-on later, it should be designed-in at the beginning. To do this well, you must understand your customers intimately. If you serve one market or industry, it will greatly help this process. The more diversified your markets are, the greater variety of different offerings you will have to provide. In marketing, we refer to these differences as segments. Each group of like-minded customers is called a segment. You need an

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offering for every segment. Segments with similar needs can share offerings. Diverse segments will need their own unique offering. By building valued features into the offerings, we guarantee that each offering has the potential to be highly valued.

Step three is to value price the offerings. Value pricing, like design, is not an add-on, it is synergistic with the design. It involves modeling the value received by the customer in the offering, and using the model to price and to sell the offering. It is undoubtedly the most complex method of pricing a service, but it has the best effect. When executed well, the customer pays more and is happier with the service. You charge more to make sure you can deliver top quality service, and the customer reflects higher customer satisfaction. It doesn't get any better than that! Since we noted that this is the most complex method of pricing, we know that you will not always be able to use it. Not to worry, all methods that attempt to get better prices than cost-plus pricing can be utilized here. This includes market-based pricing. The whole point of this step is to include value in your pricing.

Now, in step four, you must sell the value of the service offering. Most sellers simply do not know how to do this and they often don't believe in the value of service to begin with. In our study of the world's top service sellers, they all believed in service value. Services marketing should produce good tools to let sellers know the value of their services, assuming the marketers know how to value the services themselves. Next, sellers must use the tools to convince customers. Our experience has been that the sellers are harder to convince than the customers. Companies must invest in aggressive internal service marketing campaigns to get this started.

Now step five takes over. As selling concludes, negotiating often begins. Eventually most deals are negotiated, if only with the purchasing people. Value does not stop here. Although purchasing people will pretend to be unaffected, value still holds power. Giving service away (free is a bad word) or significantly discounting the offering is anathema to establishing value. You simply cannot provide a 40% discount and still have the value of the service be accepted.

Step six is to deliver the value that has been promised by marketing and sales, which is not as simple as it sounds. Many service delivery people do not know exactly what has been promised in the service contract and a few may not care. We find many service delivery people are unconvinced that their work has value. Overworked and often hassled by customers and bosses, they may have convinced themselves that their services are commodities, at best. These wonderful people need to be encouraged and educated as to how customers receive value from their services. Different service offerings should be planned and taught to delivery people so they understand every nuance. Their actions will have a dramatic effect on the long-term customer satisfaction with the vendor and with their services. This is not a trivial thing and does not get enough attention. **How** the service is delivered makes all the difference. Indeed Marty Joe Bittner of Arizona State

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University's Center for Services Leadership refers to this as the other three Ps of service marketing: people, process, and physical evidence.

Customer satisfaction is one of the many important goals of services. It must be measured and fed back to the company. "You only get what you inspect for" is a common management saying that applies here. Customer satisfaction is life and death to a service provider and absolutely must be measured constantly. That said; we are not big fans of email surveys after every transaction. Too often these are used to justify a management position. Customers are loath to criticize someone who has just helped them. We recommend consistent surveys by telephone to get different players on the customer side to share their impression of the services provided. We need to get at more than surface level thought, and a discussion with a knowledgeable person helps a great deal.

Finally, we need to do two things with the information we gain from customer satisfaction surveys. First, we need to use it to reinforce the value of service with the customer. Good and bad customer feedback needs to be reviewed with the customer. The good will help to reinforce the value provided. The bad will help us to fix the service. We also need to use this data internally to alert managers who need to correct service deficiencies. Data can also be fed to services marketing to be used in adjusting the service offering contents over time. Finally, don't forget to review product problems with manufacturing and development. They need this information, as well, to do their jobs better.

This is a quick tour of the process steps used to incorporate value into services. We call this a continuum to signal that there are different levels of accomplishment at each step. No one is hopeless, no one is perfect. You can improve at any time and at any step. Every few years, you will have to go back to research and start over. There is no higher goal for services marketing than the creation and management of service value. There are many details to each step that are beyond the scope of this document. We would be pleased to discuss any of them with you.