Organizational service strategy

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Introduction

The importance of service strategy to organizational performance is without question. As early as the 1960s, marketing and business scholars emphasized the criticality of being able to go beyond the physical product to set one's offerings apart from the competition. As Theodore Levitt noted, given the manufacturing (and benchmarking) capabilities of many organizations, the ability to distinguish a firm's product solely through physical characteristics and performance is largely obsolete, and it is now an organization's ability to go beyond the physical product in relation to such things as packaging, advertising, and *service* that helps to truly differentiate their offerings from the competition.

There are many examples of organizations that have capitalized on the development of service orientations to effectively differentiate their physical goods offerings. For example, businesses have chosen to become “solution” providers as opposed to just transaction-focused goods providers. One of the most famous of these examples is, of course, IBM, which has exemplified adherence to Levitt's warning that a company will find it increasingly difficult to compete based upon physical products alone. Such a configuration has allowed IBM to

steer away from a sole focus on the highly competitive arena of hardware provision to instead also highlight the ability to provide valued strategic direction (i.e., to become a true business partner to their customers). Similarly, in using service strategy to complement a largely commoditized physical product, Zappos has quickly established a robust foothold in the retail goods industry by providing not only a dizzying array of products but also outstanding service. The company's reputation for seamless and speedy order taking, fulfillment, and product return (if necessary) allowed for a progression from a company that was known largely for shoe selection to one that now faithfully represents its repositioned tagline, “Powered by Service.”

Beyond the use of service to separate among physical goods competitors, there are of course many organizations and industries that provide *only* service, with largely no linkage to a physical product (e.g., law, consulting, education). In the United States, industries that provide only services account for roughly 70% of Gross Domestic Product, as well as almost four out of five jobs.¹ Going beyond U.S. borders, there are many countries where service provision accounts for greater than 70% of GDP, with Hong Kong topping the list at a whopping 92%.²

Recently, the emergence of service dominant logic (e.g., Vargo and Lusch 2016) teaches us that thinking about physical goods versus service is perhaps shortsighted. According to SDL theorists, all firms are in the service business, and service is the key element of any exchange, regardless of whether there is a tangible good involved. Physical goods are redefined as vehicles for service provision and their purpose is to generate value-in-use. Against this backdrop, it is little surprise that the topic

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of service strategy has enjoyed tremendous popularity, both in terms of practitioner and academic investigation.

The goal of this special issue is to highlight several important elements of service strategy. In order to accomplish this goal, it is first necessary to capture what is implied by the term *service strategy*. Unfortunately, this is not an easy concept to capture. Even a cursory examination of the varied topics covered in issues of *Journal of Service Research*, *Journal of Services Marketing*, or *Journal of Service Management* demonstrates the varied nature of service strategy. As such, the call for papers for this issue carried a very broad lens that we believe has allowed for an inclusive and far-reaching combination of selected articles. Consistent with this view, we consider service strategy to be inclusive of organizational practices focused upon the vision, development, and enactment of organizational capabilities and assets to enhance customer-focused outcomes. In short, service strategy encompasses how an organization develops and delivers service benefits in a manner that differentiates it from competitors while enhancing value-in-exchange. We note that many provocative service strategy-oriented questions remain, such as: What goes into the development of service strategy? What influences the implementation of strategic service elements? And what outcomes are associated with strategic service decisions? Questions such as these formed the basis for the variety of service strategy topics covered in this issue.

Categorization of articles

In an academic sense, a focus upon the vision, development, and enactment of organizational capabilities and assets to enhance customer-focused outcomes allows for us to highlight key elements of service strategy related to *how* an organization might interact with customers, as well as *when* and *under what conditions* such interactions might take place. And, indeed, each of our selected papers for this special issue falls largely within these domains. Such a focus is consistent with recent work two of the co-editors developed with Jagdip Singh and Tom Brown, where the nature of a frontline encounter is defined at the intersection of *interactions* and *interfaces* (Singh et al. 2017). Interactions refer to “the characteristics of actions, communications, and processes that occur over the duration of the contact between the customer and organization,” while interfaces describe “the characteristics of modes, agent (or robots), artifacts and servicescapes that serve as the medium and/or foreground for the contact between the customer and organization” (Singh et al. 2017, p.4). Although the scope of the special issue is beyond the frontline, the nature of service strategy is clearly influenced by such characteristics, as the core focus remains on the customer. The “how” and “when” conditions are subsumed within the interaction, while “under what conditions” lies within the interface.

How we interact with customers

Addressing the “how we interact with customers” condition, we present four papers that investigate varied elements of the influence of the interaction.³ In “Service Crisis Recovery and Firm Performance: Insights from Information Breach Announcements,” Rasoulia et al. (2017) discuss the implications of large-scale service failures. Although the topics of product failure and individual-level service failure have received an abundance of attention, the focus on how to address large-scale failure is relatively new. In this work, the all-too-common scenario of service failure through an information (data) breach is studied, with results demonstrating that firms which handle large-scale failures with tangible redress and process improvements seem to be better positioned for less volatile recovery periods than when broad apologies are offered to the affected consumers. In such an instance, the *how* of the recovery demonstrated significant importance.

Also investigating the effect of “how we interact with customers” and its strategic importance, “Do Loyal Customers Really Pay More for Services” examines the heterogeneous nature of customer loyalty (Umashankar et al. 2017). Do “loyal” customers all behave in the same manner, and if not, what can influence their behaviors? The results clearly demonstrate the importance of how we treat our customers, suggesting that behaviorally loyal customers who experience better service (relative to other loyal customers) are prone to develop attitudinal (and not just behavioral) loyalty. Such a shift corresponds to a diminished sensitivity to price, and a heightened focus upon rewards and convenience, with positive implications for revenue. The authors’ findings demonstrate the importance of not only envisioning and developing exceptional service strategies, but also implementation and follow-through.

“The Influence of Service Employees and Other Customers on Customer Unfriendliness: A Social Norms Perspective” investigates the effect of interaction not only with service employees, but also with other customers (an area of service research that has been receiving heightened attention in recent years). The findings of Albrecht et al. (2017) underscore the strategic importance, from an organizational perspective, of not only managing service employee behaviors, but also attempting to influence the behaviors of customers within the service environment (thus demonstrating the key linkage between interaction and interface dimensions). Albrecht et al. (2017) show that positive injunctive norms, or an understanding of what behaviors are approved within a service environment, buffer the effects of unfriendly behaviors. In short, service organizations should be aware of the importance of

³ It should be noted that the premise of Singh et al. (2017) is that the critical element of the service encounter is the intersection of interactions and interfaces, which is inherent in virtually any study context. Here, for brevity, we are just highlighting the key element of the prominent focus of the work.

providing servicescape “cues” that are suggestive of appropriate behaviors, with positive implications for customer behaviors toward one another, as well as employees.

A fourth paper dealing with the “how” of customer interaction also serves as a nice bridge into the investigation of the “when” component of service strategy. “Consumer Reliance on Intangible versus Tangible Attributes in Service Evaluation: The Role of Construal Level” presents research investigating the trade-offs between tangible and intangible attribute evaluations in consumer decision making, especially as related to the intended timing of service consumption (Ding and Keh 2017). Specifically, Ding and Keh (2017) present results that suggest that as a proposed service interaction becomes more distant (in time, space, etc.), the importance of intangible attributes is highlighted. On the contrary, as service consumption becomes more near, tangible attributes gain relative importance to intangible. This research clearly demonstrates the importance of service communication elements at varied times over a service interaction.

When we interact with customers

Transitioning to a primary focus on “when” we interact with customers, and the importance of timing, “Unveiling the Recovery Time Zone of Tolerance: When Time Matters in Service Recovery” demonstrates the complexity of service recovery timing (Hogreve et al. 2017). Not only does the influence of recovery from service failure follow a non-linear path as the time to recovery increases, but the effectiveness of recovery also is influenced by another variable of time—namely, a first-time versus more seasoned customer. Interestingly, the findings demonstrate there exists a “zone of tolerance” during which compensation expectations hold fairly constant, and then compensation expectations follow an inverted-U pattern, first increasing over time, and then decreasing. Of course, as the wait for recovery extends, other negative outcomes start to occur, thereby costing the service organization more than simply the amount of a given recovery compensation. Further, first-time customers expect greater compensation early, with relational customers demonstrating a longer zone of tolerance but exhibiting heightened expectations when recovery takes a longer period of time. In combination with the work of Rasoulzian et al. (2017), both of the recovery papers demonstrate the complexities of both large scale and individual failure recoveries, as well as suggesting the combined importance of both the “how” and “when” components of strategic service interactions.

Under what conditions we interact with customers

The other four articles included in the special issue deal largely with conceptual questions related to the service interface, with the exception of Hilken et al. (2017), which examines the

interface, but through an empirical lens by investigating the effects of augmented reality upon consumer choice. In “Augmenting the Eye of the Beholder: Exploring the Strategic Potential of Augmented Reality to Enhance Online Service Experiences,” the studies paint a vivid picture of the influential effects of an online interface where the customer has enhanced physical control of product manipulations within a meaningful and personally-relevant embedded shopping environment. Such an interface positively influences word-of-mouth, as well as purchase intentions. The service of creating such a realistic and beneficial purchase interface sheds light on how retailers may narrow the perceived gap between the experience of physical shopping relative to the online world.

The three conceptual articles focused upon “under what conditions” service strategy may take place deal with broad and significant service strategy issues. The first of these papers, “Technology-Driven Service Strategy” describes the ubiquitous influence of technology upon service strategy development (Huang and Rust 2017). Providing a comprehensive roadmap for the development of service strategy in the presence of technological innovation, Huang and Rust artfully detail current opportunities and future direction for service organizations as they balance the trade-offs between the provision of personalized versus standardized service, as well as relational versus transactional interactions.

Also dealing with broad, strategic service issues, “Business Models as Service Strategy” by Wieland et al. (2017) explores a topic that will probably be somewhat foreign to many marketing scholars, but which is intimately tied to the development and implementation of service strategy. In this article, the authors skillfully develop the linkage between business models and technological and market innovation. The authors propose some potentially controversial questions, especially in relation to some “sacred” marketing thought and practice. For example, is the creation of a value proposition actually representative of how a business relates to its market? Is a value proposition even meaningful in today’s world? An understanding of markets served, as well as the interrelationships among participants in a market is critical to service success, and this paper explores many issues that are critically important to service practice, research, and teaching.

Finally, “Customer Participation in Services: Domain, Scope and Boundaries” by Dong and Sivakumar (2017) helps to bring cohesiveness to a fragmented (and growing) area of service strategy research. In this article, the authors craft a typology of customer participation research that establishes three categories of participation—mandatory, replaceable, and voluntary. The authors build a convincing argument for the necessity of replacing such terms as co-production and co-creation with appropriately categorized elements of customer participation. The conceptual work builds firmly upon what we already know about customer participation, and provides a clear roadmap for future investigation of the topic.

Conclusion

The articles included in this special issue paint a broad picture of the domain of service strategy, which is consistent with the reality of managing services in both an academic and practitioner sense. The broad canvas of *interactions* and *interfaces* points toward a multitude of potential research questions, not only at the organizational frontline, but in relation to the overarching development of service strategy. The *how*, *when*, and *under what conditions* questions presented in this special issue are an important representation of the universe of topics that may be investigated in relation to service strategy, but they, of course, only skim the surface of the knowledge that remains uncovered in relation to this ubiquitous marketing domain.

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