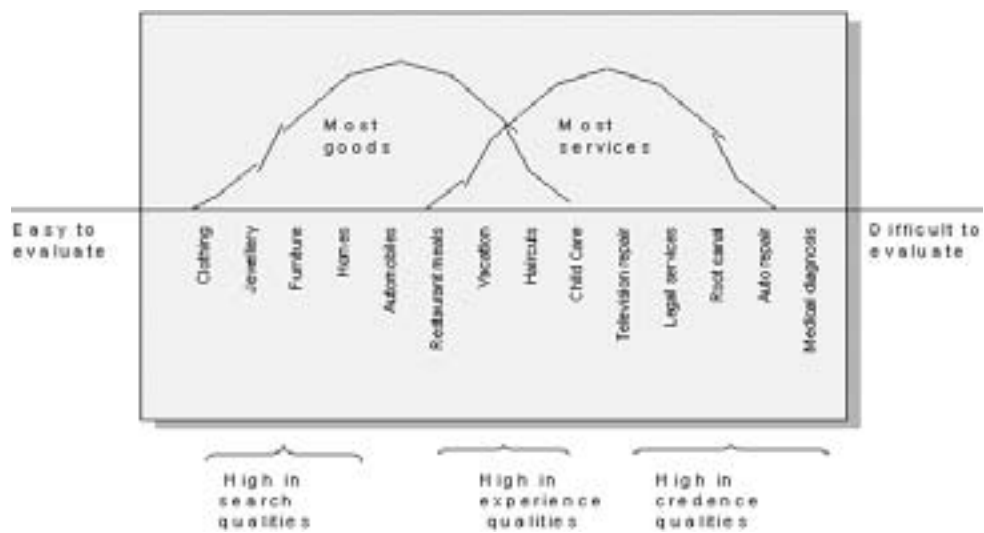


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Figure 5: different types of products



Source: Zeithaml, V. (1981) How consumers evaluation processes differ between goods and services in Donnelly, J. and W. George (Eds) *Marketing of Services*. Chicago: American Marketing Association

# Services innovation and operations: learning from services marketing

Antti Ainamo

The strategic framework in manufacturing industry sectors such as information technology (IT) has been recently experiencing a transformation in at least two ways. Industry newcomers such as Dell, Lenovo and Acer have expanded as their product sales have grown rapidly. Meanwhile, IT industry incumbents IBM and Hewlett-Packard (HP) have migrated to “business services” with physical hardware now constituting only a diminishing share of the key offerings to their clients or of their overall innovation output.

While it is clear this transformation is taking place, a considerable lack of clarity still surrounds the design rules and principles that the incumbents are using in their services operations and innovation. The root cause of this obscurity can be said to be that there has been much research on innovation and operations, and much research on service operations, but very little on services innovation. This essay approaches this research gap from the perspective of services marketing. I compare data on services operations, innovation and marketing across three different kinds of offerings – the “search offering”, the “experience offering” and the “credence offering” – with a view of understanding services operations and innovation.

## **Business services based on *search*, on *credence*, and on *experience***

The research on services marketing suggests that the central point of departure for incumbent manufacturers such as IBM and HP ought to be in making comparisons between their IT hardware and the business services they intend to deliver to their clients. In this view, a service offered to a customer or client is at the core more intangible than tangible, when compared with a good. A service involves a greater involvement of customers in the production process, greater difficulties in maintaining quality control standards, an absence of inventories, the relative importance of time factors, and a particular structure of distribution channels. A service is an offering that is simultaneously produced by the service producer and consumed by the customer or client. The production and delivery processes need to be more integrated than the physical good manufacturing and distribution processes. As a result, a service is less standardized and less uniform than a good.

While it is useful to agree on the above basics of what constitutes a service, this essay argues that such agreement ought to be only a platform on which to build further understanding of how services differ in relation to one another – not just in relation to goods. Just as there are many kinds of goods involved in offerings to customers, ranging from basic commodities that are the sole offering, such as basic white t-shirts at a supermarket, to the scissors that are part of a haircut service, there are also many kinds of services. Services range from restau-

rant meals, where food is a material element of the offering, to medical diagnosis, where no material element changes hands in the journey from service provider to customer. Many qualities of services are, moreover, “lumpy”; yet goods and services fall along a continuum of features that make some qualities easier to evaluate than others, as shown in Figure 5.

## **Information technology-based business services as *search offerings***

Many of the early business services of IBM and HP resembled a value-added approach in the model of distribution of commodity clothing. A supermarket delivers value-added to commodity or low-involvement clothing by delivering it closer to a consumer’s home, for example. In an interesting contrast to such a supermarket, IBM and HP in this respect have attempted to be more efficient than their rivals in automating labour-intensive processes of software services delivery.

## **Information technology-based business services as *experience offerings***

Recently, IBM and HP have begun to sell business services not only as part of hardware delivery but also on an ongoing stand-alone basis. Like a premium car service in a car manufacturer’s repair shop, such service provision by HP and IBM adds value to a physical good that might otherwise be a simple search offering or a commodity. In symbolic terms HP and IBM are performing a similar role to that of brand communications and public relations; that is, they are adding value with communications to create an “enhanced” user experience. A good brand reputation requires that the total product-and-service offering be experienced as a high quality one. To what extent might we expect IT product-based business services to provide the kind of experience that we expect from a high-end restaurant meal, being first and foremost, a hybrid between a place and the service staff?

## **Information technology-based business services as *credence offerings***

Within IT, IBM for example has recently had an ambitious goal of reframing its hardware business, threatened by search and commodification, into service offerings high on credence qualities. IBM has communicated the need for “services science”, mandated a specific kind of services science-based education, and advocated the creation and sustenance of the boundaries of a new service science “profession” vis-à-vis other professions and the non-professionals. Global distribution of scientific research teams and publications among the scholars, students and members of a profession make for a platform for global convergence of services production and consumption so that the universalism certifies the credence

and quality that the profession represents. Indeed, scientization is the classic way by which professions such as medicine, law and consulting have created and expanded upon their credence. These professions have since their early years applied supposedly universally-valid abstract knowledge to client or patient cases that have remained very particular. The particular nation-states in which they exist have guaranteed the existence and survival of these particularities with local norms, laws and regulations.

### **Discussion**

On the basis of the offering qualities presented in this essay, high quality business services such as restaurant meals exist in the place and formation the customer or client believes they can be found, based on their own experience and the experience of those the customer trusts. Rather than all services being “searched”, “experienced” or “having credence”, one service may often be ephemeral, and different in time and place, vis-à-vis another.

Both services firms and services researchers need to understand the various kinds of ecosystems of services operations and innovation, qualities, and marketing that exist in and around different offerings and different industries. The goal must be to understand why, how and to what extent innovators and operators of information technology-based business services can improve the ways in which they grapple with issues, such as how to offer many service offerings from one platform, and how to socially scale offerings from that platform. Clearly, participating in such research ought to be on the service development agendas of IBM, HP, and firms competing with them.

I therefore conclude with a call for researchers to carry out comparative research in services innovation and operations, drawing on the basis of the framework discussed above.

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