The role of brands in a service-dominated world

Keywords
experience quality EXQ;
customer experience;
service brand;
SERVQUAL

Abstract
Long gone are the days where a brand was merely a logo or trademark that distinguished a company’s products from those of competitors. The fastest-growing sectors of the modern economy are dominated by companies whose offer is complex and delivered in the context of long-term service partnerships. In such a service-dominated economy, we must re-conceptualise our notion of brand so that it provides the context in which such service-based marketing flourishes. The notion of services marketing is not new, and there is a rich literature about the notion of brand building through a series of service encounters, each one exceeding the expectations of customers, thereby building brand equity. For almost 20 years, these key moments of customer–company contact, the bricks and mortar of the service brand structure, have been measured by SERVQUAL, a battery of measures for assessing the quality of service delivered at any customer–company contact point. Drawing on emerging research at the Cranfield School of Management, the authors question the means by which we currently measure service quality on the basis that it fails to measure that which truly builds brands in a service-dominated world. The authors offer the concept of Experience Quality, which incorporates service quality but extends to aspects of customer experience not related directly to service that we believe better predict consumer behaviour with respect to brands.

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THE ORIGIN OF THE BRAND CONCEPT
When the authors tried to determine the exact origins of the modern concept of ‘brand’, they encountered far more apocryphal stories than well-documented facts. Two stories, in the authors’ experience, seem to be most often repeated. The origins of brands can be traced to: (a) ranchers branding their cattle to designate ownership and (b) American gun makers reassuring cowboys about the safety of their products. Through such storytelling, we infer that ‘brand’ is conceptualised to designate ownership and to confer product quality.

The story-telling is confirmed by Marketing scholars who traditionally conceptualise the brand as a bundle of features, attributes and perceptions about a company’s offer designed to influence customers’ preferences and behaviour. Pioneers of successful branding included soap makers (Sunlight, Ivory), car builders...
(Ford, Cadillac) and technology providers (IBM, Xerox). As markets became more competitive and customers more sophisticated, simple designations of ownership and quality were insufficient and marketers augmented the product-centred brand concept with layers of value added, such as emotional attachment, services, distribution, relationship and trust. Despite these valuable additions and enhancements, the centre of the augmented brand concept remains the differentiation of the core product offer.

**IS THE PRODUCT-CENTRED BRAND SUFFICIENT?**

The product-centric approach to branding has been widely successful in an economy characterised by the exchange of goods and services, that which scholars have termed a product-dominant economy. Marketers increasingly accept that the environment in which they compete is dominated by services. The rapidly growing areas of the economy are no longer products such as fast-moving consumer goods, cars and clothing; the economy is redirecting its investments towards entertainment, financial services, travel, mobile telephony and other services. The authors suggest that these markets are driven by service propositions and therefore question whether marketers are now reaching the limits of product-centred branding. Even the iPod, a successful new product that has transformed the fortunes of Apple, required the iTunes service to establish it. The price premiums achieved by fast-moving consumer goods are disappearing as consumers appear more loyal to retailers than to product brand owners. Margins available to computer hardware manufacturers are squeezed as large companies outsource IT to service providers. This well-documented trend of ‘servitisation’ will inevitably impact the traditional product-centred brand. Whereas the augmented brand seeks to differentiate products through services, research indicates that service-dominated markets demand an interactive, relationship- and experience-based approach to brand building. Perhaps, in the near future, it will be the product that differentiates the core service.

**SERVICE BRANDING IS DIFFERENT FROM PRODUCT BRANDING**

The service-dominant economy challenges the product-centric nature of the traditional brand concept. Services are different from products because they are intangible, unique (heterogeneous) and co-produced with the customer (inseparable).

**Intangibility**

Services cannot be felt or touched, presenting a significant challenge for marketing, because intangibility intensifies the perceived risk for customers. Service providers are challenged either to incorporate physical evidence into the marketing mix to provide surrogate tangibility, such as risk-free trials, or build tangible artefacts that denote service quality, such as the professional dress code for bank personnel or website quality.
**Heterogeneity**

Every interaction between customer-facing employees and customers creates service quality impressions. Effective quality control processes are therefore of the utmost importance to assure the delivery of consistent service across all customer-facing employees. Organisations are aware that there is a fine line between standardising their services and giving employees sufficient flexibility to address the distinctive differences among their customers and the unique circumstances of each interaction. The notion of empowerment, that is, the effective use of employees who embody the principles and values of the organisation, has been proven to be a competitive advantage for successful service organisations.  

**Inseparability**

The production and consumption of service occurs simultaneously. Whereas product brands can be manufactured, inventoried sold and consumed sequentially, many services are consumed during their production, for example, airline flights. Indeed, customers are often co-producers, sometimes even designers of the services they consume, for example, social networking sites. Inseparability means that consumers ultimately buy the organisation’s capabilities and expertise, not merely their immediate offers. Whereas product brands intermediate between customers and the organisation, service brands are more analogous to windows through which the customer can examine the organisation and its capabilities. Co-production, the active inclusion of the customer in creating the offer, creates opportunities for organisations to develop closer affinity and loyalty to the service provider through such a collaboration over time.

**IS MARKETING APPLYING PRODUCT BRANDING CONCEPTS TO A SERVICE-DOMINATED WORLD?**

Brand marketers’ initial response to the service-dominant economy has been the attempt to ‘productise’ service, thereby recreating the product brand concept albeit in a new environment. At its most limited, this form of service marketing deconstructs customer service into a series of discrete occasions and further divides each occasion into small, measurable incidents that can be managed through an almost manufacturing-like quality process: targets for the number of times the phone rings, excessive scripting of customer-facing employees or length of time to respond to a letter. In this way, companies can manage service encounters as they approach product manufacturing, reducing service variability in a six sigma-like fashion. Once measurable, elements of customer service can be standardised across employee–customer encounters and improved continually. Just as one continually improves the product functionality, reliability and quality, one improves service quality. Underpinning this approach is a widespread belief among both managers and academics that superior service improves customer satisfaction, which in turn triggers desirable customer behaviour such as loyalty and retention.

Measurements and metrics are key components in this drive to manage services in a product-driven way. In order to measure the impact of marketing on service brands in an objective way, a measurement for service quality was needed. In 1988, Parasuraman et al. introduced SERVQUAL, a multi-item scale to measure customers’ perceptions and expectations of service quality. (see Box 1, Figure 1) SERVQUAL is the most popular tool for measuring service quality; however, it
does not capture all aspects of the service brand due to its focus on the functional aspects of service quality, nor has anyone used SERVQUAL to predict customer behaviour. To capture the full richness of service encounters, one should measure, in addition to the functional aspects of service (the process, the ‘how’), the technical (the outcome, the what) and emotional aspects (behaviour, values) of the service encounter. This holistic view of service is what is commonly referred to as the customer experience, a broader concept that extends the dimensions measured by SERVQUAL.

**Box 1: The Origins of SERVQUAL**

Based on the notion that service quality was becoming an increasingly important differentiator among competing businesses in the retail sector, a multiple-item instrument called SERVQUAL for measuring consumer perceptions of service quality was introduced. SERVQUAL is a 22-item instrument that addresses customer-based assessments of service quality. SERVQUAL is divided into five dimensions: (1) tangibles, (2) reliability, (3) responsiveness, (4) assurance and (5) empathy, which are described in more detail in the outline below (Figure 1). The authors state that potential applications include categorising the firm’s customers into quality segments and tracking service levels of individual stores in a chain, indicating that SERVQUAL allows marketers to understand customers’ perceptions of service quality.

**CUSTOMER EXPERIENCE MATTERS**

De Chernatony et al. acknowledge the central role of customer experience, more than just service, in brands: ‘A brand is a cluster of functional and emotional values that promises a unique and welcome emotional experience for its stakeholders.’

Research on customer experience, and its impact on the brand concept in the service-dominated economy, is relatively new. Our understanding of what it comprises and its impact upon customer behaviour is formative. Scholars believe that, once defined robustly, customer experience will prove to be a better
predictor of customer satisfaction, advocacy and purchasing behaviour than SERVQUAL. Because customer experience is content-specific and difficult to understand, companies that become pioneers in managing customer experience successfully should enjoy a strong competitive advantage.

We believe that companies do not have the luxury to decide whether or not to engage with customer experience. Every customer contact, consumption experience and communication creates an experience in the mind of the customer. Companies can only succeed by trying to understand the dimension of the customer experience and manage them with their customers to build the service-dominant brand. As the old adage goes, ‘brand or be branded’.

While there is a growing realisation that customer experience is the key to building a successful brand in a service-dominated economy, companies’ assessment of the quality of their customer experience is at odds with customers’ assessment of the same. A 2005 Bain & Co. survey reveals that while 80 per cent of companies believe that they deliver a superior customer experience, only 8 per cent of their customers believe that they are indeed receiving a superior customer experience.

**EXQ—A NEW BRAND AND CUSTOMER EXPERIENCE MEASUREMENT FOR THE SERVICE-DOMINANT ECONOMY**

The authors are developing a measure for customer experience in the context of high-impact purchases in the financial service sector, such as financial planning advice. This measurement, Experience Quality (EXQ), will be based on data collected through in-depth interviews with customers exploring the underlying dimensions of the customer experience that influence their behaviour.

Preliminary findings from the authors’ research (Figure 2) illustrate the additional dimensions influencing customer behaviour, explored by EXQ versus SERVQUAL. These include experiential factors such as a positive employee attitude, ambiance and atmosphere of the facilities in which the service occurs and the social or personal connection consumers make with the service provider.

Once developed, the robustness and validity of EXQ will be tested in a longitudinal study that tracks customer experience.
behaviour and relates changes in behaviour to both EXQ and SERVQUAL: a fair test of the two measures. This research design will allow a comparison between SERVQUAL and EXQ to determine the better predictor for customer purchasing behaviour (see Figure 3).

The marketing literature suggests that a measurement built on customer experience, such as EXQ, could be the foundation to address the brand marketing challenges of a service-dominated economy because it accounts for both the experiential and emotional aspects of the modern brand offer.

**TAKING ADVANTAGE—THE FUTURE**

We believe that companies capable of addressing the experiential needs of their customers will be best placed to create successful, differentiated service brands in the emerging service-dominant economy. A valid measure of experience quality (EXQ) will provide marketers with a reliable metric that better explains customer behaviour and a road map for building modern service brands.

Product brand management fulfilled a key marketing role in the goods-dominant economy; however, in the emerging service-dominant economy it is less certain that the traditional concept of the product brand can play a similar role. Our concept of ‘brand’ must evolve through better insight on how customers perceive experience quality in service brands. This can only be accomplished by building and using appropriate measures that have yet to be developed. The authors propose that Experience Quality (EXQ), once developed fully and tested, could address this essential need for organisations in their quest to deliver superior, profitable brands in a service-dominated world.

A focus on customer experience instead of service alone will encourage brand managers to understand the value that customers derive from their offers in a more profound and substantial manner and in this sense, reinforce the traditional role of brands as fundamental to value creation in competitive markets.

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