
The Future of Consumer Services: Factory and Theatre

Enzo Baglieri and Uday Karmarkar

Two major trends visible in every large economy in the world are towards services and towards information intensive industries. The nexus of these two trends—information intensive services—is not only the major part of many economies, but is also subject to the challenging phenomenon of service industrialization. Within services too, there is an increasing emphasis on customer experience as an important aspect of service output, but also a recognition of the role of customers as collaborators and co-producers of outputs and value. For the sake of discussion, we have posed the consequences of these concurrent threads for the future of consumer services in terms of two extremes: the factory and the theater. But as is so often the case, we can expect reality to lie somewhere in between.

This book collects contributions from experts with a range of differing perspectives. Though they may sometimes appear divergent, they all share some common conclusions. They agree on the driving effect of technological innovations on service management practice, and they all recognize that this technological revolution is simultaneously empowering customer involvement in service operations. Together, the contributions provide a scenario of the future of consumer services that has some leading characteristics.

Particularly, it is clear that service industrialization is not leading to a decrease in the rate of innovation. Rather, strategies for the industrialization of services are enabling a convergence between service factories and service theatres. They aim at utilizing a combination of new technologies and managerial practices to industrialize service production and delivery (including both the back room and front office) and to simultaneously industrialize the customers' contribution by selection, managing expectations, utilizing their competencies, setting the service stage, and standardizing their collaboration. The impact of this phenomenon is twofold: on the one hand, efficiency and productivity increase; on the other, consumer satisfaction rises with a positive impact on the entire business.

As a consequence it is crucial, from a management perspective, to always keep aligned the two viewpoints of productivity and experience. In particular, the role of service design in general emerges as a frequent topic in each contribution, since this alignment can only derive from a design strategy that considers both customer experience and an effective operational model.

Some of the case histories presented demonstrate that, even though it may seem obvious, service companies frequently forget to strategically line up their marketing vision with their operational practices. This misalignment often takes place because of the imbalances in the performance management systems adopted by these service companies. While operational performance is easy to measure and to relate to profitability via costs, the impact of customer experience on the bottom line is related to demand and revenue in complex ways that are hard to measure. As has emerged in our work, scholars are convinced on fundamental and theoretical grounds about the benefits of an effective customer experience strategy. Executives however, may not always have a clear view of the way to execute and *operationalize* such a strategy, and cannot always definitively assess the financial effects and the competitive advantages it can generate.

Our work provides some practical suggestions.

First, each company should define its own clear vision of what customer experience is in a broad management sense. Some may interpret this phenomenon with either a marketing or an operations outlook. Yet customer experience is neither the consequence of a pure marketing strategy nor of a pure operations approach, but the outcome of an integrated perspective. And as the various cases described in this book have demonstrated, customers can themselves contribute in an active way to the efficiency of company's operations, and become providers of value as well. Then, customer experience is not a static concept:

- it is related to the industry in question;
- it is linked to the market positioning being aimed at;
- it evolves with the service life cycle;
- it dynamically changes as customer expectations change, and;
- it depends on the accumulation of skills, perceptions and competencies of the customers.

We can argue that while a factory-driven business strategy can be enabled by a strategy of both a continuous *broadening* of the experience, and the focus on the performance of *dependability*, a theatre-driven business strategy should exploit the *deepening* of the experience, whose goal is not simply to meet the customers' expectations, but to exceed them and occasionally even to astonish the customer. In short, no single customer experience strategy fits all cases, as they may depend on the "latitude" of the business (market positioning), the "longitude" of the output (the life cycle of the service and technology) and the evolutionary patterns of consumer behavior. For example, Blackberry is today troubled waters perhaps because, they undervalued the speed of the evolution of the customer expectations and the rapidity of advancement in other platforms. Even in the B2B context, customers are still immersed in a highly experiential environment. So a technological platform designed specifically for professional smartphone use, could not compete with more social and entertaining operating systems which are also now at par for business use.

This dynamic is quite common, as demonstrated by the cases and incidents presented in our book and representing a very wide range of sectors. Even in traditionally stable financial services, or in the highly knowledge based context of

health care, the change in customers' expectations and in the available technologies is radical, and the room for innovation is substantial.

Observing these cases transversally, the common features within them are easy to identify as the basic determinants of the service companies of the future:

1. diffused adoption of new technologies;
2. customer-centric approach in designing operations and delivering the output;
3. convergence of back room and front office;
4. focus on operationalization of the customers' experience.

Service innovation is the last keyword of this book. Even when not explicitly emphasized, service industrialization is a major determinant of service innovation. This is because there is little distinction between service outputs and service processes and any change in the production and distribution of services always generates a change in the service itself. The emergence of new technologies, the bridging of back and front office and the customers' involvement into the service operations increase the potential impact of service industrialization in terms of capabilities for innovation. As an example, customer involvement reduces the risk of service failure from misunderstanding or misinterpreting the voice of the customer.

Will we still distinguish between service factories and service theatres in the near future? Perhaps occasionally we will, when it is best to position the business profitably at one of the two extremes, provided that the whole system is consistent in terms of value creation and efficient operations. However, it is reasonable to foresee a scenario in which the distinction between the two archetypes becomes increasingly evanescent and competitive advantage is provided through a combination internal efficiency, superior experience, and the capability that customers contribute to the service process through collaboration.

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