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To cite this article: Pennie Frow, Liem Viet Ngo & Adrian Payne (2014) Diagnosing the supplementary services model: Empirical validation, advancement and implementation, Journal of Marketing Management, 30:1-2, 138-171, DOI: [10.1080/0267257X.2013.814703](https://doi.org/10.1080/0267257X.2013.814703)

To link to this article: <http://dx.doi.org/10.1080/0267257X.2013.814703>



Published online: 06 Aug 2013.



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# Diagnosing the supplementary services model: Empirical validation, advancement and implementation

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**Abstract** Since the publication of Levitt's (1980) 'total product concept', there has been an increasing recognition that additional supplementary elements, beyond the core product, can have a profound impact on customer value. Lovelock's (1995) supplementary services model further develops this concept by providing more specific guidelines regarding where to seek value enhancement. However, there is little empirical validation of his theoretical model across the services sector. Our paper addresses this gap in three ways. First, we assess the soundness of Lovelock's model across different service businesses by adopting a form of interaction research. Second, drawing upon findings from this process, we then develop a revised model of supplementary services. Finally, we propose an implementation framework for our revised model of supplementary services.

**Keywords** supplementary services; product augmentation; differentiation; flower of service

## Introduction

Over three decades ago, Levitt (1980) stated, in a seminal article, that '[t]here is no such thing as a commodity. All goods and services are differentiable' (p. 83). Levitt argued that while the core product is typically undifferentiated, the 'offered product', which consists of ancillary or 'supplementary' services, can mean the difference between marketing success and failure.

The special contribution of Levitt's (1980) concept lies in the recognition that additional supplementary elements, beyond that of the core product itself, have a profound impact on the value that customers perceive. However, a limitation of Levitt's work is that it does not provide a structured approach for managers to use in identifying the specific elements that could be added to the core product. Thus, although Levitt's 'total product concept' highlights the importance of extending the core offer, it does not offer guidance on *how* to extend it. As a result, managers have considerable difficulty in developing products that are sufficiently differentiated (Goyal, 2004). This difficulty is evident from failure rates in new products and

services. For example, Griffin (1997) found that four out of ten new services fail. Our own experience of working on executive development programmes has shown us that executives are quick to see the relevance of Levitt's (1980) concept but find it challenging to apply to their own companies.

To address this issue, Lovelock (1995) proposed a supplementary services model that develops the total product concept by providing more specific guidelines as to where to identify value enhancement for customers. Lovelock's model identifies eight key elements or 'clusters' of supplementary services that can be used to add value to the core product or service. His theoretical model provides a more structured approach for considering the augmented elements of a product.

The purpose of this paper is to review the validity of the supplementary services model, to develop a refined and extended model, and to propose a planning framework for implementation. We use the term 'validity' to mean an assessment of the soundness of the model, as opposed to this term's psychometric, statistical or scale development meanings. The paper follows reviews that 'diagnose' other marketing strategy concepts, including the product portfolio (Day, 1977), the experience curve (Day & Montgomery, 1983), market segmentation (Dibb & Simkin, 2001) and customer value (Payne & Holt, 2001). In this paper we consider the services sector, reflecting the focus of Lovelock's (1995) research and the importance of the services sector in advanced economies. We use one form of Gummesson's (2002) interaction research – interactive research with executives – to examine the validity of the supplementary services model and to develop it into a more complete typology. This approach follows Reibstein, Day, and Wind's (2009) recommendation regarding the importance of developing theories and (re)designing tools through practitioner involvement.

The paper is structured as follows. First, we review the literature relating to the concept of core and ancillary services, differentiation, and the antecedents of the supplementary services model. Second, we examine Lovelock's (1995) supplementary services model and the limited research in this area. Third, we outline our research method, which utilises practitioner involvement to examine the validity of the model and to determine appropriate revisions to the supplementary services model. Then we propose a planning framework for assisting in implementing the model. Finally, we discuss our conclusions and consider future research opportunities.

The contributions of this paper are threefold: (1) we examine the validity of Lovelock's (1995) theoretical model in a range of ten service enterprises; (2) we develop a revised model incorporating a substantive typology of categories and subcategories of supplementary services; and (3) we develop a planning framework for implementing the supplementary services model.

## The 'core' product and 'supplementary' services

The idea that the purchase of a product is influenced by more than the core product is now widely recognised (Colgate & Alexander, 2002). The core product is the basic reason customers buy a particular service. The core product responds to customers' basic needs: airlines provide a seat on a plane that take the customer from one point to another, motels offer a bed in a room for a given period, and banks offer deposit and withdrawal facilities. Such needs satisfy baseline customer expectations but are order qualifiers rather than order winners. Supplementary

services facilitate the augmentation of the core product, but are not specifically part of the core offer (Lovelock, 1994). In this paper, we mainly use the term 'product' as marketing executives in many service businesses term their offerings 'products' (e.g., Shostack, 1977; Storey & Easingwood, 1998). In this section we review the concepts of the core product and supplementary services, and discuss research relevant to supplementary services.

Supplementary services are known by various names, including the extended product (Kotler, 1972), auxiliary services (Grönroos, 1978), augmented product (Levitt, 1980), peripheral services (Normann, 1984) and product services (Nicoulard, 1989). Lovelock (1996) argues that supplementary services is the most appropriate term for such services, as it connotes the best sense of augmenting the core product. Supplementary services represent a means of achieving differentiation of a core product and form a key tool in differentiation strategy (Naipaul & Parsa, 2000). The concept of differentiation itself has a long heritage in the economics and marketing literatures (e.g., Chamberlin, 1933; Robinson, 1933; W. Smith, 1956), and Sharp and Dawes (2001) provide a comprehensive review of this topic.

Levitt (1969) was one of the first authors in the marketing literature to acknowledge the role of the augmented product. He defines the extended product as the tangible product along with all the accompanying services that it and the generic product possess, including the essential benefits that a customer expects to gain from the product. Levitt (1969) points out that the core product alone does not differentiate an offer, but that the surrounding set of value drivers can add powerful differentiation. Later, Levitt (1980) provides further discussion on his total product concept.

Shostack (1977) illustrates how services vary in terms of perceived intangibility, and how they have both tangible and intangible elements. She proposes that tangible cues be associated with the service, overcoming issues associated with intangibility. Shostack develops a molecular model for visualisation and management of the total offer, which focuses specifically on the services sector. At the centre of her model is the core benefit or 'nucleus', which may be tangible or intangible. This nucleus is linked to a series of intangible elements that together comprise the molecule. The need to link intangible service elements to tangible services and symbols is now widely acknowledged in the literature (e.g., Berry, 1980; Berry & Clark, 1986; Grönroos, 1978; Legg & Baker, 1987; Levitt, 1981). Eiglier and Langeard (1977) adopt a similar approach. These researchers contend that the core service needs to be complemented with peripheral services to facilitate and leverage the core service. Further, they argue that these need to be specific for any particular service product.

Anderson and Narus (1995) investigate supplementary services in the context of business-to-business (B2B) services. Here supplementary services extend beyond elements such as technical problem solving, equipment installation, and training and maintenance to 'programs that help customers design their products or reduce their costs' (Anderson & Narus, 1995, p. 75). While their research is concerned solely with B2B markets, we consider how lessons regarding the tailoring of supplementary services to specific market segments are applicable to the business-to-consumer sector (B2C). We return to this issue later in our discussion on future research.

The largely theoretical work outlined above highlights the importance of supplementary services in creating differentiation. Supplementary services can also be used to facilitate the use of the core product, enhance its perceived value and enable

the service provider to charge a premium price (Bitner, Brown, & Meuter, 2000; Storey & Easingwood, 1998). For example, service providers including Amazon, Federal Express and Weight Watchers proactively provide customers with useful information related to their past purchases and customised advice that augments the service product in the eyes of the customer.

These supplementary services are not always low-cost add-ons. Some may represent very substantial investments, as illustrated by Hilton Hotel Corporation's OnQ system. OnQ is an information-based service system involving an investment of more than \$100 million (Applegate, Piccoli, & Dev 2008). The system supports and enables the delivery of enhanced supplementary services at Hilton's properties across nine Hilton brands. OnQ's aim is to build a closer relationship throughout the customer's lifecycle via recognition, superior customer service, personalisation and service recovery.

A number of authors have stressed the importance of supplementary services. Piccoli, Brohman, Watson, and Parasuraman (2004) highlight that supplementary services are widely recognised as a means of creating customer value and achieving competitive advantage. Supplementary services are important as they can be utilised to reduce the risk related with product use (Balin & Giard, 2006; Goyal, 2008), often have a great impact on customer satisfaction (Magaldi & Crescitelli, 2008), build stronger relationships than those associated with core services (van Riel, Liljander, & Jurriëns, 2001) and may be used to evaluate a firm's overall performance (La, Patterson, & Styles, 2009). However, when supplementary services are added, they must be supported by relevant technical and functional aspects of service quality (Ferguson, Paulin, Pigeassou, & Gauduchon, 1999).

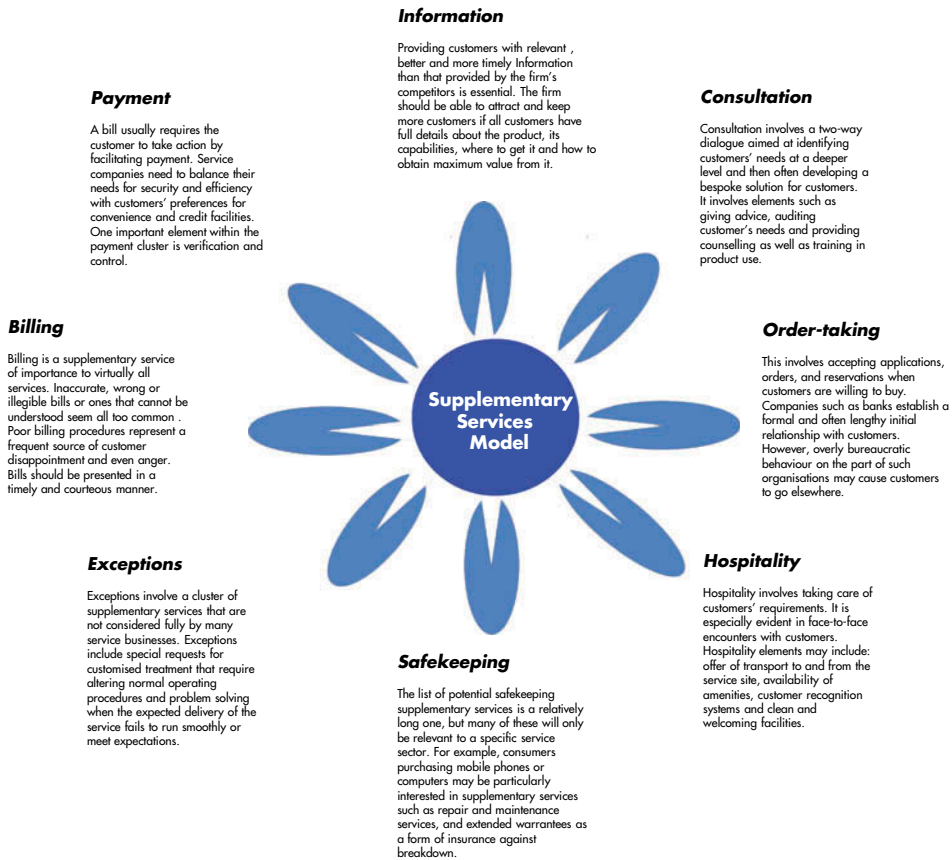
Further, the attributes impacting a product's perceived degree of performance by customers are primarily based on supplementary services (Patterson & Spreng, 1997), and supplementary services play an important role in reassuring customers of their choice of product (Javalgi & Ramsey, 2001). Payne and Holt (2001), in referring to the supplementary services model, state that, 'Lovelock's work is important as it provides a far more structured approach for considering the expected, augmented potential elements of a product or service' (p. 164). Finally, Hume (2008) calls for a more thorough analysis of the elements of supplementary services.

From a managerial perspective, our experiences using the supplementary services model as an exercise on management education programmes, with many groups of executives at the marketing director level and the mid-career manager level, suggest that executives find this a highly relevant, useful and important model. In several companies we have observed the successful application of Lovelock's (1995) model to design or redesign firms' offerings.

## The supplementary services model

To build on these early concepts and models and to address some of their limitations (Naipaul & Parsa, 2000), Lovelock (1995) developed a supplementary services model that identifies how additional services could augment the core service. His model identifies eight clusters of supplementary services – *information, consultation, order-taking, hospitality, safekeeping, exceptions, billing, and payment* – which can differentiate and add value to the core service. Figure 1 shows Lovelock's supplementary services model, together with a brief description of these eight clusters and some of their key elements.

**Figure 1** The supplementary services model.  
Source: Adapted from Lovelock (1995).



Lovelock's (1995) model has several benefits over previous conceptualisations of the augmented product. First, it identifies eight specific clusters of supplementary services which can differentiate and add value to the core service. Second, within each cluster, the model provides a list of examples and illustrations of supplementary services, thus providing some guidelines on typical services that may be added. Third, the model suggests viewing these eight supplementary services elements as a 'flower of service'. This metaphor is useful, as it draws attention to the importance of a well-designed and well-executed service across all dimensions of the offer. However, there has been little attempt to explore the validity of this theoretical model. Further, as Lovelock (1995) acknowledges, his list of examples and illustrations are not fully developed into sets of categories and subcategories, and his model appears to emphasise particular service types.

## Empirical research on supplementary services

Although there is some empirical research on supplementary services, we identified little empirical work relating specifically to Lovelock's (1995) supplementary services

model, despite coverage of the concept in Lovelock's publications (e.g., Lovelock, 1994, 1995, 1999) and in publications with colleagues (e.g., Lovelock & Wirtz, 2007; Lovelock, Wirtz, & Chew, 2008). To identify empirical contributions relating specifically to Lovelock's (1995) model, we searched EBSCO Business Source Premier, Proquest ABI Inform, ScienceDirect and Emerald databases using the keywords *supplementary services* and *Lovelock*. Our search covered the period from 1991 to 2011. Also, we used the additional keywords of *extended product*, *auxiliary services*, *augmented product* and *peripheral services* in the four databases in order to identify any further relevant literature.

We identified only two empirical contributions – Naipaul and Parsa (2000) and Major, McLeay, and Waine (2010) – that focused specifically on Lovelock's supplementary services model. Other, more general, empirical work on supplementary services was identified with this search and a broader search in Google Scholar.

### **General empirical research on supplementary services**

Table 1 provides some illustrative examples of research that focuses on empirical work related to supplementary services but does not specifically address Lovelock's (1995) model. An interesting observation about much of this research is that it tends to focus on a small number of specific industry sectors. Table 1 also shows some examples of industry sector coverage in this empirical work, including financial services (Goyal, 2004; Storey & Easingwood, 1998), financial services and retailing (Colgate & Alexander, 2002), and the performing arts (Hume, 2008). Some general empirical research is omitted from the illustrative examples in Table 1 because it is closely related and written by the same authors in the same industries (Goyal, 2006, 2008; Hume & Mort, 2010) or because it deals with a highly specific and less relevant issue such as global outsourcing (Kotabe & Murray, 2001; Kotabe, Murray, & Javalgi, 1998; Murray & Kotabe, 1999).

### **Empirical research on Lovelock's (1995) supplementary services model**

Table 1 provides details of the two identified pieces of relevant empirical research which specifically consider Lovelock's (1995) supplementary services model (a study of the impact of national culture on corporate Web sites, Junglas & Watson, 2004, was excluded as it was not relevant to the current research.) The study by Naipaul and Parsa (2000) focuses mainly on the hospitality cluster within the tourism sector and does not investigate the other supplementary services clusters in Lovelock's (1995) model. Only one study (Major et al., 2010), of a highly specialised part of the tourism business, uses the supplementary services model to consider the appropriateness of Lovelock's (1995) service clusters. This latter study concludes that the majority of the eight generic categories are appropriate to this specialised business. However, these authors do not provide details of their analysis.

From our review of these studies and their findings we conclude that: (1) overall, there is little substantive empirical research on Lovelock's (1995) supplementary services model; (2) there is no previous research examining whether Lovelock's list of specific supplementary services within the clusters of his model is comprehensive; and (3) no empirical work examines the validity of Lovelock's model across a

**Table 1** Empirical research on supplementary services.

Author(s)	Focus of study	Study & sector	Findings & implications
<b>Illustrative general empirical research on supplementary services</b>			
Storey and Easingwood (1998)	Development of 'augmented service offering' (ASO) concept.	Empirical; consumer financial services.	Investigates the components of the ASO: 'service product' (the core product), 'service augmentation' (supplementary services) and 'marketing support'. Considers the relative contributions of these components in the context of the consumer financial services market. Concludes that all three components of the ASO contribute to success and that each has a distinct role in financial services markets.
Hume (2008)	Identifies core product and supplementary services as distinct constructs.	Empirical; performing arts.	Explores the interrelationship between core and peripheral service quality, perceived value, satisfaction and repurchase intention in the context of performing arts. By disaggregating an enterprise's offer into manageable design components, the author argues that the firm can design services and develop strategies that better suit its customers' needs. Concludes that a shift is required in managerial practice within the performing arts from a focus on core aspects of the service to delivery of supplementary factors.
Colgate and Alexander (2002)	Examines the benefits and barriers of product augmentation in retailing and financial services.	Empirical; financial services and retail.	Lovelock's (1995) supplementary services model is discussed, but the supplementary services clusters are not investigated. Concludes that the provision of financial services is less about facilitating the core retail product and more about supporting supplementary services.

*(Continued)*



Table 1 (Continued).

Author(s)	Focus of study	Study & sector	Findings & implications
Goyal (2004)	Exploration of thirteen supplementary services in the context of banks' credit card services.	Empirical; financial services.	Found that prior customer knowledge regarding the supplementary services offered by a bank develops a positive response with respect to the service after its purchase. Whilst Lovelock's (1995) work is discussed, no effort is made to categorise these services into Lovelock's clusters.
<b>Specific empirical research on Lovelock's (1995) supplementary services model</b>			
Naipaul and Parsa (2000)	Investigation of supplementary services within the tourism sector.	Empirical; tourism sector.	Empirical work focuses primarily on the hospitality cluster of supplementary services and does not study the other seven clusters. Concludes that the supplementary services model can help tourism operators successfully differentiate themselves from competitors.
Major, McLeay, and Waine (2010)	Uses the supplementary services model to identify services that differentiate a packaged wedding service.	Empirical; specialty tourism.	Found that five of the eight generic categories are appropriate to this specialised business. Concludes that billing and payment should be considered as a composite category. Method of analysis is not fully described.

range of different service types. Even within the more general empirical research on supplementary services, exploration of enterprises in different service sectors appears to be rare. One possible explanation for the lack of empirical work on Lovelock's model relates to the nature of the journal in which the description of his model was published. His article was published in *Planning Review*, a specialised journal with circulation largely limited to the membership of the North American Society for Corporate Planning. This journal was not widely available and subsequently has not been highly cited.

## Research method

The previous discussion suggests that important research questions remain unanswered, including:

1. Does Lovelock's (1995) theoretical model hold empirically for different service businesses?
2. What refinements or advancements, if any, are appropriate for refining or extending the supplementary services clusters and the specific forms of supplementary services within his model?
3. Given that there is little discussion on how to apply Lovelock's theoretical model in practice, what are the key components of a framework that could assist managers in implementing the model?

In view of the importance of creating product differentiation in enterprises, and especially where the core product is typically well established (Im & Workman, 2004; Levitt, 1980; Oubiña, Rubio, & Yagüe, 2007), these represent important research questions.

The research followed a discovery-oriented approach (e.g., Zaltman, LeMasters, & Heffring, 1982) involving empirical field-based research that explored the validity of Lovelock's (1995) model. The rationale for undertaking this form of research is that there is little extant empirical evidence supporting the validity of Lovelock's theoretical model.

Our research involved the following stages: (1) firm sample selection; (2) data collection; (3) identification and managerial assessment of revised supplementary services clusters; (4) development of new supplementary services cluster categories and subcategories; and (5) design of a supplementary services planning framework.

As we explain below, our research involved interaction research with executives who 'play a crucial role' in examining concepts, resulting in research generation (Gummesson, 2002, p. 345). The rationale for using groups of executives to assist with this work was twofold. First, Lynham (2000) recommends that practitioners who expect to use a theory should play a crucial role in defining the content of the underlying theoretical model, a view supported by Reibstein et al. (2009). Second, the substantial scale of the research proposed rendered it impractical for the small research team to undertake this study by themselves. Following Lynham's (2000) advice, we explored and progressively refined the supplementary services model with practising executives.

Executives attending an advanced course in strategic customer management were formed into ten groups and were involved in undertaking fieldwork within ten services firms. The executives undertook this fieldwork in a sample of service firms under the close supervision of the researchers. The objective of the fieldwork was to gather data with which to explore the validity of the supplementary services model and to consider any appropriate revisions to the model. A further group of managers, separate to those undertaking the fieldwork, were used to assist in assessing the relevance and importance of the revised clusters.

### ***Firm sample selection***

Following Miles and Huberman (1994), the researchers developed a purposive sample of 'experience services' enterprises. Experience services (e.g., retailing, transport, accommodation) are defined as those where customers collect service information through their service experience and then make informed judgements following purchase (Keh & Pang, 2010; Zeithaml, 1981). 'Credence services', on

the other hand (e.g., finance, education, healthcare), are those where customers have difficulty in obtaining information about the service experience and cannot make confident evaluations of the service even after purchase or experience (Keh & Pang, 2010). The reason for researching experience services firms (and not credence services firms) is that customer evaluations of supplementary services are more likely to be reliable. Customers make better-informed judgements of experience services firms, whilst customers of credence services firms have difficulty in evaluating services even after several consumptions (Zeithaml, 1981).

Although there are no definitive guidelines on the number of enterprises that might be examined, authorities such as Eisenhardt (1989) suggest examining four to ten examples. Following this advice, ten enterprises were used in this research. Ten groups of executives were formed to undertake the fieldwork. Each group consisted of 5 to 7 executives and undertook fieldwork in one service enterprise. A total of 61 executives, aged between 23 and 54, were involved in these ten groups. All had degrees, most in marketing or business, and many worked with leading global firms. Their industry experience (many had experience in multiple industry sectors), their international representation (15 nationalities) and the substantial scale of the project were the reasons for involving these particular executives in our research.

Purposive sampling involves selecting a sample of companies that consist of information-rich examples that reveal the phenomenon of interest and that are illuminative and provide relevant data for the purpose of the research (Patton, 2002, p. 234). Purposive sampling is the most commonly used sampling technique (Marshall, 1996). It requires a judgement sample (Galloway, 2005) wherein the researcher actively selects a productive sample in order to address the research question (Marshall, 1996). The criteria for selection of enterprises for the fieldwork included: being an enterprise involved in experience services; having a substantial level of sales activity at a national, regional or global level; and representing one of a broad range of different service industry sectors.

The selection of service companies involved achieving a range of different experience services and using the industry expertise of the executives. Each group was asked to provide a shortlist of three experience services enterprises. These enterprises were chosen by the executives on the basis of the industry in which they currently worked, where they had previously worked or where they had substantial industry knowledge and specific contacts. The research team then purposively selected one specific enterprise from each of the ten groups' shortlists. On the final selection of companies, some participants switched groups to achieve an improved balance of expertise within the groups.

Through this process, a broad range of experience services enterprises were utilised in the research: a bus company; an international coffee chain; a national restaurant business; a roadside assistance organisation; a major hotel chain; an express parcel service; a conference facility; a pizza restaurant chain; a multimedia retailer; and a major city transit authority. The company type is shown later, in Table 2. We have provided a list of companies at the bottom of this table to illustrate the scale and type of service enterprises being researched, although we cannot identify the specific enterprises involved due to confidentiality issues.

### **Data collection**

The unit of analysis for this study is the supplementary services offering of the ten enterprises. Special attention was placed on ensuring 'pre-understanding'

(Gummesson, 2002) on the part of the research team and the executives who engaged in the fieldwork. Researcher pre-understanding was achieved through a detailed review of the literature and prior involvement in applying the supplementary services model within five enterprises. These activities involved new product design for a large financial services company and the redesign of services for a large industrial plant hire company; an automotive parts replacement company; a consumer product for a large insurance company; and a service for one of the 'big four' chartered accounting firms.

In order to provide pre-understanding, the executives undertaking the fieldwork were thoroughly briefed on the concept of supplementary services during an initial three-hour workshop session. Prior to the workshop, academic papers dealing with the supplementary services concept were studied by the executives. During the briefing session with the executives, the concept was explained in detail, examples from the researchers' work in the five enterprises above were discussed, possible companies to include in the research were considered, and alternative research methods and sources of data were reviewed in detail.

Each group had a mandate to investigate one experience service enterprise. Through their professional experience and academic studies these executives already had a good understanding of market research and market research techniques. Several members of each group had some formal training in market research techniques, with some having extensive prior experience in the market research industry.

The fieldwork was carried out over a total of eight weeks. It included five briefing and review workshop sessions with the executives, each three hours long, during which progress was discussed. This process was supplemented by further meetings with individual groups and one-on-one discussions with group representatives. The sources of data to be used by each executive group were discussed and agreed upon with the researchers during (and between) the workshop sessions. During the workshops, the executive groups also shared their planned research approaches with each other. The researchers followed each group's activities on a regular basis and provided advice and direction aimed at assuring data quality and consistency of procedures. There was frequent contact and advice given by the researchers throughout the fieldwork and the subsequent reporting of the findings.

Following consultation with the researchers, the executive groups conducted fieldwork under the supervision of the researchers, using those sources of data appropriate to the context and circumstances of the service enterprise being investigated.

The use of multiple data sources can help counteract bias in the collection and analysis of data (Patton, 2002). In this fieldwork, the principal sources of data were primary source material and documentary evidence, as well as online searches, other published sources and customer interviews/surveys. These principal sources were supplemented by other sources. These additional sources included staff questionnaires, staff interviews and mystery shopping. All groups were requested to use at least three sources of data, including the principal sources of detailed literature and company documentation reviews, and customer interviews/surveys. These principal sources were used for each enterprise with the exception of the national hotel chain. As customer interviews were not possible in the instance of the hotel chain, mystery shopping was undertaken instead.

The selection of other sources (mystery shopping, staff interviews, observation/site visits, etc.) was based on a pragmatic and needs-based approach (e.g., Datta, 1997; Johnson & Onwuegbuzie, 2004). For reasons of access, practicality, cost and other enterprise circumstances, it was not possible to use all sources for each organisation.

For example, in some instances staff questionnaires or a series of staff interviews could not be conducted or were not permitted. Where mystery shopping was the primary reason for site visits, rather than meetings or observation, this is shown later in [Table 2](#) in the former category and not in the latter.

Each group of executives produced a final written document reporting on the fieldwork they had undertaken. Advice was given by the researchers as the fieldwork progressed and working versions of the documents were reviewed by the researchers at appropriate stages of the work. The final reports were between 30 and 54 pages in length. The reports comprised: the sources of data used, including any audit and questionnaires used; each group's evaluation of the validity of the supplementary services clusters; and the supplementary services categories and subcategories within them for the selected organisation. Details of the data collection sources used for each of the ten service enterprises are also shown later in [Table 2](#). As space does not permit a detailed description of the research approaches used for each of the enterprises (cf. Beverland & Lindgreen, 2010), we provide a summary in Appendix 1 of the typical research approach that resulted in the identification of supplementary services clusters and categories within them for one of these enterprises – the express parcels firm.

The researchers then compiled a composite list of the supplementary services clusters proposed for each of the ten enterprises. We considered the variations within the supplementary services clusters and, following a presentation and discussion of the revised clusters in a workshop with the executives, we agreed on a reclassification of the supplementary services clusters, which included the addition of a new 'sustainability and social responsibility' cluster and modifications to a number of the original clusters in Lovelock's (1995) model.

### ***Managerial perceptions of revised clusters***

Following the revisions to the clusters, we used a completely separate group of 27 managers, with no involvement in the earlier fieldwork, to provide an impartial view of the revised clusters. In a short survey, they were asked to rank their perceptions of the relevance and importance of the revised supplementary services clusters. We define relevance as the degree to which the supplementary services cluster is appropriate for firms to differentiate their offerings to customers. Importance refers to the relative value that firms place on a supplementary services cluster in achieving competitive differentiation of its offerings to customers. This evaluative group consisted of managers with experience in B2C and B2B firms. Their main sector of experience was divided between the B2B market (41%) and the B2C market (59%), with 70% of them having work experience in both sectors. The majority of the executives had worked for large global firms including American Express, BBC, BBDO, Estée Lauder, Fedex, HVM, Hewlett Packard, Krupps, Lenovo, Marriott International, Mercedes-Benz, Millward Brown, Renault, Saatchi & Saatchi, Sheraton, Singapore Telecom, Southwest Airlines, Symantec, Toyota, UBM and UOB Bank. Many managers had experience in multiple countries.

The managers were provided with a briefing on the concept of supplementary services, which included a description of each of the revised supplementary services clusters. Using a short written questionnaire, the executives individually ranked their perceptions of the relevance and importance to industry of each of the revised supplementary services categories.

The purpose of undertaking this survey was to gain further managerial insight into the soundness of the revised supplementary services clusters, including the perceived relevance and importance of the new sustainability and social responsibility cluster. This particular cluster was proposed by only one firm in the fieldwork research – the express parcel service. However, when this revised supplementary services cluster was discussed in the workshop with the all the executives involved in the fieldwork, they strongly supported its inclusion in the revised model. Their views reflect the strategic importance of sustainability and social responsibility, which ‘has never been more prominent on the corporate agenda’ (N. Smith & Lenssen, 2009, p. 2) and which now represents a significant opportunity for differentiation.

### ***Development of cluster categories***

Using the revised supplementary services clusters, the researchers then considered the forms of supplementary services within each cluster that were identified in the ten enterprises. Lovelock (1995) provides an illustrative list of examples of supplementary services within each of his original eight clusters. However, some of these lists are very short and they are not organised into related categories and subcategories. Lovelock himself points out that his list ‘does not claim to be all encompassing’ (Lovelock, 1995, p. 46).

In comparing Lovelock’s list with the results from the fieldwork, the researchers concluded that the original model required extension and refinement. In particular, a more complete and detailed typology of supplementary services categories and subcategories, which was aligned with the revised supplementary services clusters, was required. A typology (Doty & Glick, 1994) refers to a conceptually derived interrelated set of ideal types. Unlike a taxonomy, which has mutually exclusive and exhaustive sets, a typology does not provide rules for classification. Instead, as Doty and Glick (1994) note, typologies identify multiple types that may be partly overlapping.

The logic the researchers used to develop a more comprehensive and advanced representation of the supplementary services model is abductive (Dubois & Gadde, 2002). An abductive approach is particularly appropriate when pursuing theory development, i.e., refining existing theories – as is the present case – rather than when creating entirely new ones (Dubois & Gadde, 2002). Abductive research involves going ‘back and forth between a model, data sources, and analysis and between observations and theory, with the aim of combining data gathering with analysis, comparing the evolving model with existing literature-based theory, and matching the evidence and experiences from different interventions’ (Dubois & Gadde, 2002, p. 555).

The data from the fieldwork was used by the researchers to develop a more complete typology of supplementary services categories and subcategories. A spreadsheet was used to categorise and progressively refine this data. In a series of three meetings, as suggested by Dubois & Gadde (2002), the researchers went ‘back and forth’ between the lists of categories and subcategories and the fieldwork reports for each of the ten enterprises.

Following these meetings the research team progressively developed a typology of categories and subcategories for the revised supplementary services model. The researchers agreed with each other on most of the categorisations of supplementary services within the clusters for the ten service enterprises. In a few instances where

there was disagreement as to which cluster a specific supplementary service should fit into, the issue was resolved by discussion and reaching consensus. Categorisation of examples followed the same approach. Some further modifications were made following feedback from a final workshop with the executives involved in the fieldwork. As a result of this process, we developed a final version of a supplementary services typology which comprises categories, subcategories and illustrative examples.

### ***Design of a supplementary services planning framework***

The final part of our research involved the design of a planning framework for implementing the revised supplementary services model. The purpose of developing this framework was to provide specific guidelines about how the supplementary services model can be applied in practice.

There appears to be insufficient distinction in the academic literature between the terms ‘model’ and ‘framework’, with scholars often using these terms interchangeably (e.g., García & Oliva, 2009). Tomhave (2006) explains how ‘models are conceptual and abstract in nature and generally do not go into specific detail on how to be implemented’ whilst the term ‘framework’ addresses a class of method that becomes involved in implementation guidance and provides more detail and structure than a model: ‘Frameworks set assumptions and practices that are designed to directly impact implementations. In contrast, models provide the general guidance for achieving a goal or outcome, but without getting into . . . practice and procedures’ (pp. 12–13).

Frameworks are typically based on combining previous literature, experience and common sense (e.g., Eisenhardt, 1989; Payne & Frow, 2005). The development of our framework used this abductive approach, which involved going back and forth between the literature and the fieldwork with the executives. An abductive approach is well suited to investigating design issues (Martin, 2009). In developing the framework, we reviewed the structure of a number of general services planning and implementation frameworks (e.g., Grönroos, 2007; Kindström & Kowalkowski, 2009; Schlesinger & Heskett, 1991; Tax & Stuart, 1997). Drawing on this literature, the fieldwork and earlier discussions with managers, we developed an initial planning framework. This initial framework was then explored in detail in two workshops with the executives. Following several iterations, the researchers developed a final framework that is discussed later in this paper.

## **Results and discussion**

In none of the publications discussing the supplementary services model authored or co-authored by Lovelock (Lovelock, 1994, 1995, 1999; Lovelock & Wirtz, 2007; Lovelock et al., 2008) is there any explanation as to *how* the eight clusters were derived. Further, in the extant literature we did not find any examination of the validity of the eight model clusters across a range of different services. As outlined above, this research aimed at assessing the validity of the Lovelock’s (1995) theoretical supplementary services model using a sample of ten service enterprises.

### Validity of clusters

The results of this part of the research are presented in Table 2. This table shows an assessment of the legitimacy of the original supplementary services clusters for the ten enterprises included in the fieldwork. The table also provides details of the type of company, the countries or regions where the companies have operations, illustrative companies within the sector, and the sources of data.

Table 2 provides empirical support for many of the clusters in Lovelock's (1995) theoretical model. The clusters of *information*, *order-taking*, *hospitality*, *safekeeping* and *exceptions* were found to be relevant clusters for all ten enterprises. As shown in Table 2, the *consultation* process was found to be relevant in seven of the ten companies, but was less relevant as a separate cluster or subsumed within the information element in three companies (the conference hotel, the transportation company and the city mass transit organisation). Whilst *billing* and *payment* are discrete clusters for three of the ten companies, in the remaining seven they were not considered to be separate clusters, but were viewed as part of the same process (cf. Major et al., 2010).

The *order-taking* and *safekeeping* clusters were considered to be over-restrictive and too specific. It was concluded that the more general terms *order processing* (to include order entry, order monitoring and order fulfilment) and *customer care* were more appropriate to include in a revised model. An additional cluster – *sustainability and social responsibility* (abbreviated to social responsibility in Table 2) – was identified as being an important supplementary services cluster for the express parcel service. Subsequent discussion with the groups of executives investigating the other experience services enterprises suggested that this cluster should also be included, a view supported by the results of the separate survey of managers discussed below. The resulting supplementary services clusters for the revised model are: (1) *information*, (2) *consultation*, (3) *order processing*, (4) *hospitality*, (5) *customer care*, (6) *exceptions*, (7) *billing and payment*, and (8) *sustainability and social responsibility*.

As discussed in the research method above, we undertook a brief survey of a separate group of 27 managers to obtain their views on the perceived applicability of the revised supplementary services clusters. These managers ranked each revised supplementary services cluster in terms of relevance and importance to industry. All of the eight revised supplementary services clusters were considered to be of overall high relevance and high importance (which we defined as having a cluster mean score of at least seven out of ten). Mean scores for each of the revised clusters were as follows: information (relevance 9.1, importance 9.1), consultation (8.6, 8.3), order processing (7.9, 8.0), hospitality (8.1, 7.7), customer care (8.3, 8.4), exceptions (7.9, 7.7), billing and payment (8.0, 8.3), and sustainability and social responsibility (7.4, 7.6). This survey of a group of experienced executives provides support for the legitimacy of the revised supplementary services clusters.

### Reviewing specific supplementary services within clusters

The next part of the research involved the researchers developing a set of categories, subcategories and illustrative examples of supplementary services within each of the revised clusters. The result of this work, which utilises the fieldwork in the ten service enterprises, is shown in the revised supplementary services model in Table 3.



**Table 2** Analysis of supplementary services cluster in ten service firms.

Type of company	Pizza restaurant chain	Multimedia retailer	Conference hotel	International coffee chain	City transit authority	Transportation services	Express parcel service	National restaurant chain	Roadside assistance	National hotel chain
<b>Supplementary service cluster</b>										
Information	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Consultation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Order-taking	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hospitality	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Safekeeping	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Exceptions	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Billing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Payment	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Social responsibility							✓			
<b>Data source</b>										
Customer interview / survey	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mystery shopping	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Staff interviews	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Staff questionnaire										

(Continued)

Table 2 (Continued).

Type of company	Pizza restaurant chain		Multimedia retailer	Conference hotel	International coffee chain	City transit authority	Transportation services	Express parcel service	National restaurant chain	Roadside assistance	National hotel chain
	✓	✓									
Competitive benchmarking			✓				✓	✓			✓
Observation / site visits			✓	✓			✓		✓	✓	✓
Literature and company documentation review	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Countries/region focus</b>	UK	UK	Europe	UK	UK, Canada, China	Europe	UK	UK	UK	UK	UK
<b>Illustrative companies in sector</b>	Pizza Hut	Domino's	Virgin M'stores	Sunridge Park	Starbucks	London U'ground	Stage Coach	DHL	Café Rouge	RAC	Hilton
			Borders	De Vere Venues	Gloria Jean's	Paris Metro	National Express	Federal Express	Bella Pasta	AA	Crowne Plaza
	Pizza Express		Waters tones	Inmarsat Conf.	Coffee Republic	German U-Bahn	easyBus	TNT	Preta Manger	Green Flag	Le Meridien

**Table 3** Revised supplementary services model.

<b>Supplementary services cluster</b>	<b>Generic category</b>	<b>Subcategory</b>	<b>Examples</b>
<b>INFORMATION</b> Data, typically offered one-way, which assists customers during each stage of the purchasing and relationship cycle.	<b>1. Product information</b>	<ul style="list-style-type: none"> <li>• <i>Product use and care information.</i></li> <li>• <b>Availability of product/services.</b></li> <li>• <b>Personalised information based on customer profile.</b></li> <li>• <b>Price comparisons and promotion information.</b></li> <li>• <i>Contact, location and hours of operation information.</i></li> <li>• <b>Explanation on use of self-service.</b></li> <li>• <i>Reminders, notifications and confirmations.</i></li> <li>• <b>Opinions of other customers.</b></li> <li>• <b>Reviews and recommendations.</b></li> </ul>	e.g., <i>printed notices, brochures, user guides and product/service manuals, software-driven tutorials, touch-screen video displays, computer-accessed bulletin boards, menu-driven recorded telephone messages, multi-channel offerings, e-catalogue, demos and videos on products and services, online personalisation options, coupons, gift cards, glossary, forms, privacy policy, warranty information, information search bar, FAQs, customer stories, testimonials, videos of customer experiences, headlines, news and events room, outbound message management, client feedback, customer to customer and supplier to customer</i>
	<b>2. Supplier information</b>		
	<b>3. Other information</b>		

*(Continued)*

Table 3 (Continued).

Supplementary services cluster	Generic category	Subcategory	Examples
<b>CONSULTATION</b> Two-way dialogue between customer and supplier in assessing how to collaborate together.	<b>1. Supplier-initiated consultation</b>	<ul style="list-style-type: none"> <li>• <b>Customer feedback system.</b></li> <li>• <i>Service advice and technical consultancy.</i></li> </ul>	information, passive social media engagement (read, watch), quotation requests, shop and compare, financing information. e.g., <i>tutoring/training in product usage</i> , online chat rooms with firm experts, join the forum, share ideas, share experience, read and comment on blogs, ratings and reviews, fan clubs, brand communities, support forums, owners' clubs, technical centres, new ideas generation room, active social media engagement (engage, add), joint review programmes, co-conception and co-design activities.
	<b>2. Customer-initiated consultation</b>	<ul style="list-style-type: none"> <li>• <b>Service needs assessment.</b></li> </ul>	
	<b>3. Collaborative and co-creation activities</b>	<ul style="list-style-type: none"> <li>• <b>Firm-customer collaboration.</b></li> <li>• <b>Customer-customer collaboration.</b></li> <li>• <b>Customer engagement in co-creation.</b></li> </ul>	
<b>ORDER PROCESSING</b> Supplier process enabling easy order-taking, processing and fulfilment.	<b>1. Order entry</b>	<ul style="list-style-type: none"> <li>• <b>Accurate data entry.</b></li> <li>• <b>Online order.</b></li> <li>• <b>Offline order.</b></li> <li>• <b>Order notification and progress report.</b></li> </ul>	e.g., <i>membership, subscription, on-site fulfilment, mail/telephone order, my tracking account, where to find my order number, quotation number and reference number, multi-channel fulfilment, appearance and friendliness of delivery driver, order status, order support, financing, e-shopping cart,</i>
	<b>2. Order monitoring</b>	<ul style="list-style-type: none"> <li>• <b>Tracking system.</b></li> </ul>	
	<b>3. Order fulfilment</b>	<ul style="list-style-type: none"> <li>• <b>Inventory management.</b></li> <li>• <b>Self-service fulfilment.</b></li> <li>• <b>Order delivery.</b></li> </ul>	

(Continued)

Table 3 (Continued).

Supplementary services cluster	Generic category	Subcategory	Examples
<b>HOSPITALITY</b> Social interaction between supplier and customer.	1. <i>On-site, direct hospitality</i>	<ul style="list-style-type: none"> <li>• Introductions and greetings.</li> <li>• Customer amenities.</li> </ul>	<p><b>member purchase schemes, delivery rates and policies, return policies.</b></p> <p>e.g., <i>friendliness of receptionist, welcome with smile and greetings, toilets and washrooms, refreshment facilities, waiting room facilities, entertainment, voice recognition system, membership club, online social networking (e.g., welcoming, governing, evangelising), welcoming videos.</i></p>
	2. <b>Indirect hospitality</b>	<ul style="list-style-type: none"> <li>• <b>Effective data capture.</b></li> <li>• <b>Effective data mining for customer profiling.</b></li> </ul>	
<b>CUSTOMER CARE</b> Care for customers and their valuables.	1. <b>Care for customers</b>	<ul style="list-style-type: none"> <li>• <b>Data protection.</b></li> <li>• <b>On-site customer care.</b></li> <li>• <b>Offsite customer care.</b></li> </ul>	<p>e.g., <i>explicit reassurance about data protection, 24/7 accessibility online, data integrity and data cleansing so only relevant and wanted information provided to the customer, order process security, access code, 24hr mobile service available for customer service and full on-site customer care, email customer care for non-technical</i></p>
	2. <i>Care for customers' valuables</i>	<ul style="list-style-type: none"> <li>• <i>Care of customers' purchases.</i></li> <li>• <i>Care of customers' other possessions e.g., cars, children, pets.</i></li> </ul>	

(Continued)

Table 3 (Continued).

Supplementary services cluster	Generic category	Subcategory	Examples
EXCEPTIONS Service recovery or variations.	1. Customer request for service variations	<ul style="list-style-type: none"> <li>• <b>Special request for customised service.</b></li> <li>• <i>Out-of-hours services.</i></li> <li>• <i>Service failure resolution.</i></li> <li>• <i>Customer suggestions and compliments.</i></li> <li>• <i>Warranties and guarantees.</i></li> <li>• <i>Service help desk.</i></li> <li>• <i>Emergency and accident response system.</i></li> </ul>	issues such as delivery details, general information, disabled facilities, document certification service, parents' room, live assistance, customer care web pages, chat with support, email support. e.g., <i>explaining service variations to customers, encouraging customers to voice their complaints via transaction-driven surveys, six sigma programmes, implied warranties, lifetime warranty, real-time substitution to overcome stock-outs.</i>
	2. Customer complaints and suggestions		
	3. Problem resolution		

(Continued)

Table 3 (Continued).

Supplementary services cluster	Generic category	Subcategory	Examples
<b>BILLING AND PAYMENT</b> Ensuring appropriate data and payment systems.	1. <i>Billing system</i> 2. <i>Account activity system</i> 3. <i>Payment system</i>	<ul style="list-style-type: none"> <li>• Account data.</li> <li>• Invoice data.</li> <li>• Credit status.</li> <li>• Account maintenance.</li> <li>• Cash payments.</li> <li>• Non-cash payments.</li> </ul>	e.g., <i>timely and accurate invoices, online payment solutions, my account, BPAY, credit card (by phone), direct debit, e-invoicing, PayPal, electronic invoice payment system, automated payment systems, mail, in person, changing payment methods, online currency converters, payments via third-party websites.</i>
<b>SUSTAINABILITY AND SOCIAL RESPONSIBILITY</b> Responsiveness to social and environmental issues.	1. <i>Customer collaboration in socially responsible activities</i> 2. <i>Supplier involvement in socially responsible activities</i>	<ul style="list-style-type: none"> <li>• Charitable assistance.</li> <li>• Participation in recycling.</li> <li>• Support of selected charities.</li> <li>• Green initiatives.</li> </ul>	e.g., <i>online information to reduce paper, community fair trade, protect our planet, stop child trafficking, against animal testing, promoting well-being, energy efficiency, charity houses, disaster relief, online carbon footprint calculators, global citizenship programme, online reports on ethical concerns.</i>

Note: The items in italics are items listed in Lovelock's (1995) original model. New additions and modifications are highlighted in bold.

In undertaking this analysis, some items in Lovelock's (1995) list of supplementary services were found by the researchers to be highly relevant, whilst some were not relevant for any of the firms explored in this study. The service environment has changed substantially since Lovelock's original work, with technology and social networks in particular making a substantial impact on many aspects of services. Such changes are reflected in the revised subcategories and the illustrative examples in [Table 3](#). Technology is an enabler that impacts supplementary services. It has an influence on how supplementary services are offered to customers and the ability of customers to access these supplementary services.

[Table 3](#) incorporates the changes in the supplementary services clusters discussed above, together with the typology of cluster categories and subcategories resulting from the analysis. We observe that many of these modifications to Lovelock's (1995) original model reflect the impact of technology as an enabler of interaction, transfer of knowledge and the personalisation of supplementary services, consistent with contemporary perspectives of service design (e.g., Bitner et al., 2000).

As noted earlier in this article, Lovelock's (1995) list of examples and illustrations are not classified into categories and subcategories. The revised model in [Table 3](#) provides an improved practice-based representation of supplementary services based on field research with executives. In contrast to Lovelock's list, it provides a hierarchy of generic categories, subcategories and illustrative examples. As shown in bold in [Table 3](#), the revised supplementary services model contains changes to four of the original eight clusters (these include one new cluster, one amalgamation, and changes to the scope of two of the clusters), and the addition of a further 11 generic categories and 26 subcategories. Many new illustrative examples are shown in bold in [Table 3](#), including ones reflecting issues such as technological change, social media, multi-channel issues, and aspects relating to sustainability and social responsibility.

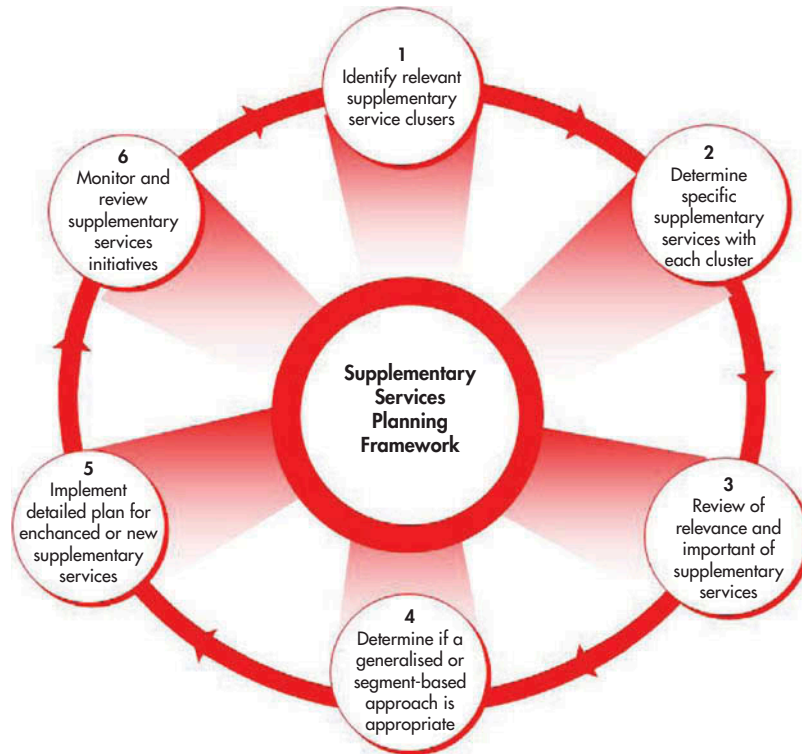
This development and refinement of Lovelock's (1995) model should assist managers in addressing the practical issue of 'how can we differentiate services more efficiently in order to deliver them more effectively?' (Ottenbacher, Gnoth, & Jones, 2006, p. 346). This research supports the general approach in Lovelock's (1995) theoretical model. However, we provide an empirically-derived advancement of the original model that includes a detailed typology of categories and subcategories. The revised model provides researchers and managers with a more comprehensive and structured approach to supplementary services which can be applied in practice and explored in future research.

Lovelock's (1995) theoretical model significantly extends the concept of product augmentation. His model highlights the importance of extending the core offer to encompass supplementary services; however, it provides somewhat limited guidance on how to implement the model. The managers involved in the interactive research workshop sessions were unanimous in the view that a planning framework was needed to assist in implementing the supplementary services model. This view echoed calls in the academic literature for more conceptual work (Yadav, 2010) and more frameworks to help marketers integrate components of marketing strategy (Garda, 1988), which led to the development of the conceptual framework described below.

## **A framework for implementing the supplementary services model**

Following the approach outlined in the section on research method, the researchers reviewed a number of services planning and implementation frameworks. Drawing



**Figure 2** Planning framework for supplementary services.

especially on insights from Tax and Stuart's (1997) new service integration framework, we engaged with executives in two workshops to progressively develop and refine a planning framework. The final version of the framework, shown in [Figure 2](#), includes six planning steps which provide guidance on implementing the revised supplementary services model.

The first step in the framework is identifying relevant clusters for the enterprise. This stage involves examining the firm's existing offers and associated supplementary services, a review of competitive offers, and details of key customer segments including any differentiation of supplementary services for different customer segments. Relevant information needs to be assembled and an audit of existing supplementary services activities and customer interactions with the firm should be undertaken. This task includes identifying clusters that are not relevant and any clusters which should be added. The services marketing audit by Berry, Conant, and Parasuraman (1991) provides guidelines regarding important service elements to consider. Service blueprints (e.g., Bitner, Ostrom, & Morgan, 2008) will help identify current service activities and customer interactions with the firm.

The second step involves determining which specific categories and subcategories should be considered within each supplementary services cluster. Firms should be aware of the difficulty of identifying a wide range of potential categories and subcategories within each cluster. To address this difficulty, the typology in [Table 3](#) can be used to consider options. The researchers propose categorising the specific

supplementary services into three groups: those which exist at present; those which should be improved; and new supplementary services to be added.

The third step involves reviewing the relevance and importance for the enterprise of each supplementary services cluster. For example, some elements, such as customer care, may be highly relevant for a particular enterprise. If key competitors currently have average or poor levels of customer care and this element is significant to customers, this factor may be of high importance in creating a differentiated offer. This review can involve the consideration of *facilitating supplementary services* (which are needed for service delivery or assist in the use of the core product, e.g., information, order processing, billing and payment) and *enhancing supplementary services* (which add extra value for the customer, e.g., consultation, hospitality, sustainability and social responsibility, customer care and exceptions; see Grönroos, 1990; Lovelock & Wirtz, 2007). The review in this step enables managers to determine where emphasis should be placed.

The fourth step involves determining if a generalised or segment-based approach to supplementary services is appropriate. In this step, the firm turns its attention to customer segmentation, recognising the need to identify and profile its best and most profitable customers (now and in the future) and to consider if the firm needs to vary the supplementary services offered to different customer segments.

The fifth step involves developing and implementing a detailed plan for introducing new and enhanced supplementary services. In this step, internal communication, technology-enabled service delivery and change management are of importance. Special attention should be given to internal communication with employees, with regard to the business benefits that enhanced and new supplementary services will deliver. 'Multi-level service design' issues (Patrício, Fisk, e Cunha, & Constantine, 2011) should be considered, and an assessment should be made of the enterprise's capabilities to manage change (Kotter & Heskett, 1992). Many of the clusters are heavily information-dependent, including information, consultation, order processing, billing and payment, and customer care. Such clusters have substantial opportunities for improvement through innovation in technology.

The sixth and final step involves monitoring and reviewing the supplementary services initiatives. Regular customer research and competitor research should be conducted to monitor and review the efficacy of the firm's initiatives. A marketing dashboard (e.g., Pauwels et al., 2009) provides an effective means of communicating many pieces of decision-relevant data. Regular review meetings with staff will provide a forum for business leaders to communicate findings from the research and to ensure that ongoing attention is focused on product-augmentation activities.

## Conclusion, limitations and future research

Despite the existence of Lovelock's (1995) supplementary services model for almost two decades, as shown in Table 1, there is sparse empirical research examining the model's legitimacy in different service organisations, hence the discovery-oriented approach adopted in this paper. Our aim in this paper is to undertake 'practice-relevant scholarship' (Antonacopoulou, 2010; Reibstein et al., 2009). Our research seeks 'actionable knowledge of direct practical value in the context being studied' (Greene & Hall, 2010, p. 138).

Our work provides a substantive contribution to the literature on supplementary services. It makes this contribution in several ways. First, our work provides the first empirical research that supports, validates and extends the supplementary services clusters identified in Lovelock's (1995) theoretical model. Second, our work develops the first detailed and empirically-based typology of supplementary services categories and subcategories. Finally, we develop a revised model together with a planning framework for supplementary services. This framework provides enterprises with a structured approach to realising opportunities to develop and exploit supplementary services and create stronger differentiation and potentially greater competitive advantage for their products.

More specifically, our findings show that the order-taking and safekeeping clusters in Lovelock's (1995) model should be re-categorised as order processing and customer care, respectively. This finding on the relevance of customer care as a cluster is in line with previous research (e.g., Srinivasana, Andersona, & Ponnabolub, 2002), which emphasises that service providers should ensure proper care of their customers in order to facilitate immediate transactions and long-term customer relationships. Our research also identifies that 'sustainability and social responsibility' represents an important supplementary services cluster. Recent studies demonstrate that customers are now placing greater emphasis on the social responsibility of an enterprise when making purchase decisions (Luo & Bhattacharya, 2006; Wagner, Lutz, & Weitz, 2009).

This study has limitations, some of which point to specific future research opportunities beyond the present work. These are highlighted in the discussion on future research below. Other limitations relate to the methodology and data-collection procedures. As we note in the methodology section, it was not possible to use exactly the same data-collection procedures for each of the ten companies. However, where possible, we sought to use common principal sources of data that included: primary source material; documentary evidence; online searches; other published sources; and customer interviews/surveys. We utilised multiple sources of data in an attempt to counteract bias, as proposed by Patton (2002). A further limitation involves the use of executives for undertaking the fieldwork. As noted earlier, the substantial scale of the research made it impractical for the small research team to undertake the fieldwork involved in this study. Whilst every effort was made to prepare the executives for data collection and to guide consistency in the data-collection processes, this remains a limitation of the study.

Further aspects of the supplementary services concept require more specific research. First, additional empirical work is needed on the use of the revised supplementary services model and implementation framework within enterprises. Research in more diverse services would provide insights about how supplementary services can yield competitive advantage. Our focus on ten experience services enterprises is a limitation of this study. Since most researchers' work in supplementary services concentrates on consumer services, future research could examine business-to-business services, credence services, and goods-based sectors, including fast-moving consumer goods and consumer durables. Such work could also be extended to the not-for-profit sector.

Second, greater exploration is needed of specific supplementary services clusters. For example, companies' involvement in societal issues, including sustainability, has increased substantially in the last decade. This involvement has been in response to consumer interest, consumer activism and rapid economic, social, political and

technological change (Sheth, Sethia, & Srinivas, 2011). Research is needed to better understand supplementary services relating to this specific cluster.

Third, Anderson and Narus (1995) conclude that suppliers in business markets typically provide some customers with more supplementary services than they want or need. This suggests that greater tailoring of supplementary services to specific customer segments is needed. We point to the importance of considering this issue in our planning framework. Whilst there are examples of such tailoring within sectors such as the hospitality, airlines and some financial services, more substantive work remains to be done in researching segmentation and supplementary services.

Fourth, the topic of co-creation, in the context of supplementary services, requires investigation. Prahalad and Ramaswamy (2004) highlight the co-creation opportunities resulting from the transformation of customers from 'passive audiences' to 'active players'. The potential benefits of more fully engaging customers in co-creative activities, which are aimed at developing new supplementary services and enhancing existing ones, represents a further area of research interest.

Fifth, future research on supplementary services should focus on quantitative issues. The discovery-oriented investigation and qualitative approach used in our work can provide the basis for future quantitative studies. An important quantitative research issue is the relative contributions of supplementary services clusters to customer-based and market-based performance. Discriminant validity needs to be investigated in any scale development research.

Sixth, exploration of the supplementary services concept in the context of intermediated markets is needed. For example, where an insurance underwriting company sells to final consumers via an intermediary such as an insurance broker, the insurance underwriter needs to work closely with the broker to identify which supplementary services need to be addressed by one or other, or both, of these parties.

Finally, the international context of the service offer remains to be explored. As Lovelock (1999) notes, in the development of a transnational strategy, an enterprise's management needs to consider which, if any, supplementary services should be made consistent across all international markets and which ones should be modified, added to, or omitted. We have not identified any empirical research addressing this issue, leaving a further opportunity for investigation.

## Acknowledgements

The authors wish to thank the executives participating in this study.

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## Appendix 1. Additional information on research approach

### *Example of research undertaken in the Express Parcel Firm*

Each group of executives undertaking the fieldwork in the ten enterprises used at least three data collection methods, including detailed literature and firm documentation reviews and customer interviews/surveys. Information relating to the Express Parcel Firm and its supplementary services was collected from multiple informants across different levels using different data collection methods, as described below.

#### *Literature and firm documentation review/benchmarking*

The fieldwork undertaken in this firm started with a detailed literature and firm documentation review. The purpose of the literature and firm documentation review was to fully understand the nature of the services offered and the competitive position of this firm within its industry. Details of the firm's main products and services were documented, together with an initial view of the supplementary services offered by the firm. Benchmarking of key competitors was undertaken, using external data sources including company websites, to gain an overall understanding of this firm's competitive offering within the industry. The sources included a Datamonitor report, which provides a detailed benchmarking analysis of the largest players in the express parcels market, including DHL, UPS, TNT and Federal Express, as well as all the main regional European companies. A pro-forma document, which included Lovelock's (1995) list of supplementary services for each of the eight clusters in his model, was used as a checklist both at this stage and in the following stages in order to progressively record and refine a list of the supplementary services offerings of the firm. This pro-forma document was used in each of the enterprises involved in the fieldwork.

#### *Firm interviews*

Eleven interviews were conducted with managers to further explore the supplementary services that were offered by the firm to their customers. This was supplemented by follow-up discussions and email correspondence. Questions relating to supplementary services were devised based on gaps that were found in the research to this point. As well

as seeking information on the supplementary services not identified from the literature and firm documentation review or interviews, other specific issues relating to the firm's customer management strategy were investigated, including: how the firm deals with different tiers/levels of customers based on the size of business that they generate; the degree of customisation offered to small customers; firm guidelines as to how customers are approached, greeted and dealt with in firm branches; and differing levels of service offered to larger and smaller customers. The field research aimed at determining whether each of the eight original clusters in Lovelock's (1995) model were relevant and if any additional cluster should be added as a result of the supplementary services that were identified. Sustainability and social responsibility was identified as a potential additional supplementary services cluster at this point. The data provided by the literature and firm documentation review and interviews with these managers provided input into the mystery shopping.

### *Mystery shopping*

Mystery shopping was conducted at random times using the firm's main customer service number. A points system was devised, with each answer being allocated points. The firm's representative was awarded points based on his/her product knowledge, friendliness, professionalism, cross-selling, and duration time to complete the query. Some examples of questions asked for the 'mystery shopping' include:

- How do account holders benefit over non-account holders?
- What are the minimum requirements for opening an account?
- What are the general requirements for opening an account?
- How long does it take to open an account?
- Can an account be opened online?
- What is the requirement for annual volume of packages sent in order to remain an account holder?
- What information is required from new customers?
- What are the terms of business and billing, including if online billing can be used?
- How are customers compensated in the event of loss or damage to a parcel?

The firm's service representatives were also asked questions relating to the firm's services in another country in order to see if they were able to give satisfactory answers.

### *Customer survey*

After collecting this initial information from the mystery shopping, more specific questions regarding the firm's supplementary services were investigated. A sample of 25 customers who had used the firm's service at least 10 times were interviewed. The criterion for selecting this group of customers was that they had used the service in the last six months. Respondents were asked: (1) to rank how important each of the supplementary services clusters was to them; (2) to indicate their preferred method of accessing information regarding the service; (3) to indicate whether they had ever lost a package while using any of this firm's services; (4) to rate the simplicity of using the service; (5) to indicate any incidents which might be classified as exceptions; (6) to rate the quality of the consultation cluster at this firm; and (7) attitudes regarding whether customers considered that the firm was socially responsible.

Following collection of all the data on the categories, the executives undertaking the fieldwork produced a report identifying which supplementary services clusters were

appropriate to the Express Parcel Firm, including a ranking of the relative importance of each supplementary services cluster and the current levels of effectiveness of the firm in providing the supplementary services. A total of nine supplementary services clusters were identified as being relevant to this firm, including the eight original clusters plus an additional cluster of sustainability and social responsibility (see Table 2). The list of supplementary services identified for each cluster, together with recommendations as to those additional supplementary services that might be added to further augment the firm's offering, were added into a spreadsheet that included data from all ten enterprises involved in the fieldwork.

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