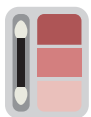


Collaborative Service:

How Doing Less Can Satisfy Customers More

Service providers who recognize our growing desire to navigate our own experiences are on their way to greater customer satisfaction.

By Heather Emerson and Ashlea Powell



FEW PEOPLE WILL BE SURPRISED TO HEAR that the number-one reason for customer complaints these days is poor service: long wait times, impersonal delivery, inconvenient hours and locations – the list goes on. Perhaps this is because everything from marketing slogans (“have it your way,” “affordable luxury”) to new technologies (“always-on,” “on demand”) has led people to believe that the customer is always right, no matter what.

The same technologies that have led us to expect instant gratification from service providers have also enabled businesses to develop innovative, efficient models for accommodating customers’ intensified demands. Emerging web-based healthcare provider **Hello Health** is a prime example. By some accounts, the platform has become *the* new business model for primary care, one that helps physicians get paid for *everything* they do (whether they practice inside or outside of the insurance system) while enabling



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better, more affordable care for patients. Basically, Hello Health consolidates the administrative tasks associated with running a doctor's office – scheduling, billing, maintaining medical records, etc. – and eases the service burden by giving patients more control over their experience. After an initial visit, patients can opt to consult their doctors via e-mail, instant messaging or video chat, often after hours, instead of trekking across town for long waits and brief face-to-face encounters. Hello Health also provides secure online access to lab results, personal medical records, prescription renewals and other services.

The Hello Health model hinges largely on the idea that *patients* and *providers* are more likely to fix what is broken in the health care system than government or institutional reform. It also reinforces the growing consensus among medical professionals that the most effective way to encourage and sustain behaviour change (and create new market opportunities) is to ask – and enable – patients to take responsibility for their own health. In doing so, patient expectations are shifting: the 'fix me' mentality of the past is evolving into a 'help me' one.

Sound familiar? It should. Many industries are seeing a similar shift in consumer mindsets from 'do it *for* me' to 'do it *with* me'. Whether we attribute this trend to the rise of our do-it-yourself (DIY) culture, frugality in a tough economy, the commoditization of service, the proliferation of mobile devices or myriad other factors, the takeaway for organizations is that collaborative service gives you a means of satisfying customers and boosting your profitability. It's a win-win, and companies that fail to recognize peoples' growing desire to navigate their own experiences may stand to lose.

Let's take a closer look at how this works and how a few industry leaders have used the model to identify market opportunities, reinvent a category, extend consumer touch points, and evolve along with customer needs.

A New Model for the Service Economy

At its height, the 'service' in service economy truly meant 'to serve', as typified by the Ritz-Carlton hotel chain's motto, "We are Ladies and Gentlemen serving Ladies and Gentlemen." Although that sentiment still exists in certain circles, consumers today tend to think

of full service as an occasional, even unnecessary, luxury. Rather than get waited upon, people increasingly want to seize control of their experiences. Today's customers know more, expect more and pay more attention, and they're coming to see service providers as gatekeepers or partners rather than assistants or servants. Innovative companies are learning when to get out of the way and how to help people to help themselves.

Collaborative service borrows the best elements of DIY (tools and freedom) and full service (personalized, rapid results) models and alleviates their pitfalls. Whereas DIY is typified by compromise and trade-offs, collaborative service lets consumers decide *when* and *how* to participate in a service – a stark contrast to the passive role they have played as recipients in full-service scenarios. Instead, customers become active collaborators with providers, sharing ownership of the service and its outcome, which helps to ensure that the experience meets their needs. In other words, companies supply the tools and environments and then customers imagine and create the experiences they want.

Collaborative service is made possible by distributing service delivery across multiple channels: people, space and tools. This frees the service provider from an unachievable standard set by the highly-staffed luxury category. It also breaks away from the legacy of a service standard, and allows businesses to create distinctive offerings that reflect their capabilities, customer and category. Not only can people serve themselves better and faster than you can, doing so makes them feel empowered, which results in more meaningful and fulfilling outcomes.

Although no two instances of collaborative service look exactly alike, they all share a few fundamental elements: invitations to participate; tools and rules of engagement; and ongoing dialogue. Let's consider each of these in the context of high-end cosmetics retailer **Sephora**, whose collaborative service experience reinvented the modern beauty counter. Sephora was the first chain to respond to today's highly engaged, educated consumer by liberating high-end beauty products from behind the counter and from brand-specific experts.

Invitations can come in many forms and range from subtle to overt. Sephora customers receive two initial invitations: first, the store layout puts the retail clerk (aka 'Beauty Expert') and the

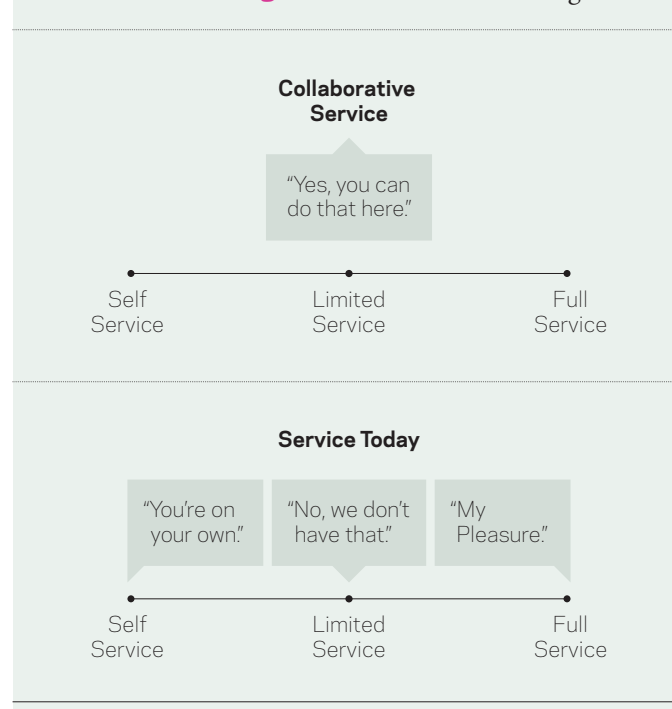
shopper on equal ground. Unlike traditional department-store counters, Sephora offers customers the same access to products as staff; nothing is hidden behind a counter, out of reach or off-limits. Additionally, Beauty Experts roam the retail floor, fielding questions and requests on demand across lines of beauty products. Second, upon entering the store, shoppers are offered a basket. This simple gesture invites them to assemble their own beauty regimens, including mixing and matching brands. Together, these invitations put the customer in control of their service experience.

Tools for engagement further enable customers to take an active role in the experience. Sephora sets up cosmetic stations at the end of each aisle so that customers can try samples of any product it carries. Each station is equipped with a mirror, cotton pads and swaps, tissues and make-up remover. These tools invite customers to test out new looks in a no-pressure way and take pressure off staff by allowing customers to help themselves, with the option of asking for assistance if and when they want it. As in any productive partnership, both parties – the provider and customer – need well-defined roles and responsibilities. Although we call these the **rules of engagement**, it's important that they do not feel like *rules* but rather 'nudges' towards collaboration that *suggest* how the customer should use the tools for engagement. In Sephora's case, inviting customers to sample products in an unsupervised way requires a certain level of trust and benefits from a few simple guidelines: good behaviour is encouraged by putting clearly-marked open samples on display in front of each product for sale (which are still sealed in the box). Meanwhile, supplies at the cosmetic stations promote hygienic practices, and conveniently placed trash bins cues customers to clean up after themselves.

Sephora's **ongoing dialogue** with customers helps shift the whole interaction from a *transaction* to a *relationship*. Such an approach helps a service provider get to know its customers and respond to their evolving needs over time. Of course, it's important that the dialogue feels genuine and beneficial to the customer, as opposed to seeming like a marketing tool for the service provider. For instance, customers should see evidence that their feedback is inspiring meaningful, timely service gestures. Sephora's Beauty Insider program offers member customers deluxe samples, points for future freebies and purchases, and makes product recommen-

The Service Triangle

Figure One



dations based on prior purchases. A recent extension of this program, a mobile app called *Beauty to Go*, enables customers to access their purchase histories and account information from their phone. Sephora also offers tutorials and product demos, a gift registry and a connection to beauty advice on **Facebook**.

This collaborative service model has helped Sephora gain significant market share: since the retailer's 1998 arrival in North America, parent company **LVMH** has opened more than 350 stores. According to the company, it continues to increase its lead over competitors across all regions in which it operates and recently broke into a promising new market, Latin America.

Seeing Things Through the Customer's Lens

Established businesses can use a collaborative approach in three ways: to reinvent touch points that are standard in their industry; to extend their service offering into new touch points; and to evolve with customers' needs. Meanwhile, new businesses can use this approach to reinvent entire categories.

One particularly successful example is **Panera Bread**, a pioneer of 'fast-casual' restaurants. Since its founding in 1981, the chain has grown from a modest bakery in St. Louis to the largest company in its category, with 1,400 locations in Canada and the U.S., a workforce of 50,000, and a reported \$3 billion in sales. Panera's collaborative service model allows diners to select high-quality foods served with its artisanal baked goods, and then choose whether they want a fast-paced or leisurely meal by providing 'to-go' and 'dine-in' preferences. It offers free Wi-Fi and encourages customers to socialize on the premises, whether holding business

The Four Basic Needs of Every Customer

Control

When people feel in control they become 'expert' users, confident in their ability to achieve successful outcomes. This leads to repeat engagement and long-term loyalty.

Ownership

When people feel a sense of ownership – that it is their responsibility to take control of a situation – they engage more deeply with a service or brand, establishing an emotional connection that makes them want to incorporate the experience into their lives.

Enrichment

People often seek experiences that go beyond transactions and help them learn and grow. When a customer feels 'enriched' by gaining new knowledge or a skill, they are more likely to share their experience with others – and advocate for your service or brand.

Value

People are often willing to trade luxury for value. Collaborative or do-it-yourself experiences are often viewed as empowering moments rather than compromises.

meetings or convening book clubs. Under this collaborative service model – which falls somewhere between fast food's informal self-service and more formal full-table service – companies such as Panera ask customers to share the responsibility for creating better experiences and outcomes.

"We obsess about ways we can improve the customer experience," CEO **Bill Moreton** told trade magazine *QSR* in May. "We look at every decision first through the customer lens, then through the operator lens, and finally, through the cost lens." Panera isn't the only enterprise benefitting from adopting a collaborative service approach: the nascent 'fast casual' is the fastest-growing dining segment, with sales up 30 per cent since 2006 and patronage rivaling that of full-service casual restaurants, according to a recent *Mintel Report*.

Another way to grow through collaboration is to extend into new service touch points. **Pizza Hut's** Pizza Tracker online experience offers service where service previously didn't exist: the website gives customers a window into every step of their order, from dough through delivery, tracking not only the process, but also the people responsible for their dinner. Pizza Tracker is voyeuristically entertaining, but it also reinforces customers' need for control by keeping them informed about their order's progress and expected delivery time.

Often in the food service realm, touch points are the same from one service provider to the next, and they are neither differentiating for companies nor delightful for consumers. Until recently, airline food and beverage service in coach class was a perfect example. In the classic model, flight attendants push pre-loaded

carts down the aisle and generally determine who gets served what, when, and in which order. **Virgin America** reinvented this model by introducing an in-flight ordering system that gives passengers control. From the TV screen on the seatback in front of them, travellers can order snacks and drinks whenever they want them. Selections include popular brands such as **Toblerone** chocolate and **Patron** tequila; anything that isn't complimentary can be paid for with a credit-card swipe. Virgin's in-flight ordering system turns a standard touch point into a signature service moment.

For a classic case study in category reinvention, look to **IKEA**. The Swedish retailer transformed the typical eight- to 10-week service-intensive furniture purchase experience into a collaborative one from start to finish, by offering do-it-yourselfers instant gratification. In doing so, it successfully differentiated itself from competitors' worldwide, creating unique touch points that customers have grown to love, associate with the brand, and return for, again and again. IKEA's service approach has become core to its brand experience, making the store a destination for far more than furniture shopping: some customers make the trip just to have lunch in the family-friendly self-service cafeteria; others to simply get inspired by the model living spaces before embarking on interior-design projects. IKEA's new slogan – "The life-improvement store" – captures the degree to which its service signature has transcended the furniture business. The retailer continues to evolve with its customers' needs worldwide – and that has translated into healthy growth: sales increased 7.7 per cent to \$29.3 billion by the end of 2010. **IKEAHackers.net**, a user-run website that tracks the many ways in which people have customized the company's furniture, not only enriches customers' experience of the brand by providing a constant stream of fresh ideas, but also helps IKEA understand how to better serve customers in diverse markets, continue to develop its product offerings, and grow the brand.

We're seeing examples of category reinvention through collaborative service in many other industries. Florida-based **Portable On Demand Storage** (PODS) seized the opportunity in the residential moving space by bridging the market gap between the do-it-yourself rental truck model and the full-service movers route. By understanding that most people want to do their own careful packing and then supporting them in the logistics of moving and



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which service touch points
might my customer prefer
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storage, PODS created a new category in a saturated, largely undifferentiated market. By rethinking service roles, PODS has replaced the ‘pain points’ of both full-service and self-service moves – e.g., coordinating the logistics of tight time windows on each end of a move, the pressure to rush loading and unloading, the redundant storage pit-stop and factoring in a third party’s scheduling availability in an already-complex personal matrix – with a collaborative approach that creates a logistic-free alternative to movers or a rental truck with the added benefit of flexibility, a sense of security, and a stress-free experience for customers. In 2010, PODS sold its first franchise in the UK and continued its expansion into Canada. To date, its network has handled more than 250,000 long-distance relocations and surpassed one million deliveries.

Identifying Your Opportunities

The collaborations we have described create a win-win situation for businesses and customers: companies can reallocate resources, provide more personalized and meaningful service, and engender consumer trust and loyalty; while consumers can obtain better and often more affordable service that is closely aligned with their needs.

To find the collaborative service model that is right for your business, we suggest starting with the following three-part exercise in self-reflection.

Step 1: To effectively refocus or reallocate your resources, you’ll need to consider the primary service you provide. Ask yourself, Which service touch points might my customer prefer to deliver himself? Which touch points can I deliver on that my customer cannot? What could we do better if we worked together?

Step 2: To build trust and loyalty, take a good hard look at your relationship with your customers. Ask yourself, Are there holes in my customers’ ability to trust me? If so, what are they? How might I better align my interests with those of my customers? Remember: *Engaged* customers are *loyal* customers.

Step 3: To offer truly personal and meaningful service, you need to *understand* your customers. Think about their ‘journey’ with your service and try to identify the emotional moments. Ask yourself,

How might we better support or be present during deeply meaningful touch points? And conversely, how might we better support the customer – perhaps by getting out of her way – during purely transactional touch points?

In closing

Far too often, companies get caught up in chasing the traditional model of service for their industry, even though it may be unrealistic or inappropriate for customers. Rather than get caught in a vicious cycle of ‘new and improved’ services, we recommend that companies collaborate directly with customers to increase their satisfaction.

As demonstrated by companies like Hello Health, Sephora, Panera and IKEA, a collaborative approach to service can not only break the vicious cycle of incremental service improvements, it can also transform a brand’s service offering from a ‘cost of doing business’ to a ‘signature brand touch point’. Because collaborative service expands the service model from a *single* standard of good to *many* – each appropriate to a specific customer need – service can now become a point of differentiation across industries.

For the first time ever, companies can innovate service models that are unique to their clientele and evolve as they do. Collaborative service represents an opportunity to break loose of tired models of service, discover what’s meaningful to your customers, and use your imagination to design category-changing service gestures that not only better serve people, but also make a strong statement about your brand. **R**



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