Leaders seeking an approach to reenergize their focus on productivity, quality and innovation will find this paper a useful introduction to the Service Design approach. Teams in marketing, customer insight, design, innovation and change management will find inspiration on how to collaborate more effectively across the organization and with customers. Service Design has a 10-year track record of being a catalyst to enhance and speed up customer orientation, organizational alignment and improving the total customer experience.

Furthermore it is an effective way of future-proofing organizations, providing a tangible vision towards customer focused business strategies. Illustrated with examples this paper provides insight into a new way of thinking and a methodology that allows you to explore the potential of this approach for your organization.
About

This whitepaper is the summary of the Veryday Service Design seminar. Setting the context for key economic and societal drivers behind the rise of Service Design, this paper goes on to illustrate how organizations can leverage this new approach to create mutual value for their organization and customers.

Key takeaways

New Approach – Service Design is a new approach to make services and experiences more useful, relevant, desirable as well as efficient and effective for both, the organization and customers.

People Insights – Deep insights into peoples behaviors, emotions, decision-making and latent needs opens up new opportunities, sparks innovation and is the foundation for differentiation.

Mutual Value – With a focus on mutual value this approach drives quality and productivity.

Engaged Stakeholders – Engaging key stakeholders in the most effective way, ensures that solutions are attractive, feasible and sustainable.

Less Risk – ‘Experience Prototyping’ helps to test ideas quickly and safely, mitigating the risk of failure and reducing development times.

Silo Independent – Connecting the dots across the entire customer experience journey provides organizational glue and helps choreograph better outcomes.
Introduction
Many executives in business development, marketing, innovation or management are aware of Service Design. Many have used principles in their work over the years, perhaps without knowing or labeling it as such. We have written this whitepaper based on our many years of experience to provide a useful guide to explain the context and rationale.

Through examples it illustrates where Service Design adds value to many organizations and their customers, users, patients, guests, or citizens.

Context
We are in the middle of a significant paradigm shift from the industrial society to the networked society. In Sweden the majority of the economy and higher profitability are based in the service sector. Today in Sweden, services and experiences contribute 3/4 of the total GDP. Given the fact that the service sector is where most organizations operate it would seem logical that the focus on R&D is balanced. However, very few organizations have a systematic approach.

Many executives overestimate quality, satisfaction and alignment. But research shows that their customers don’t agree. The reality is that customer experiences could be far better.

Definition: Service Design is the approach to innovate or improve services to make them more useful, usable and desirable for customers and efficient as well as effective for organizations.¹

Designers facilitate a new way of thinking and collaborate to support the creation of successful service experiences.

80% of companies believe they deliver outstanding value and a superior customer experience.

8% of their customers agree.³

¹Service Design – Practical Access to an Evolving Field. Moritz 2005
²www.cia.gov
³Closing the delivery gap, Bain and Company 2005
The business opportunity

Why invest in Service Design?

Service Design helps increase productivity, value and satisfaction in a world of commoditization, digital disruption and demanding customer expectations.

A new collaborative approach

Service is not new. But to introduce design knowledge and methods gives us the opportunity to connect the dots in a new way. To develop successful services, we need to break down silos and work together – different departments, partners and customers. Design is very visual, tangible and has proven itself as a shared language.

The last decade has witnessed successful examples of Service Design impact in the public and the private domain. The approach has helped organizations big and small to build loyalty, increase profitability by adding value to existing services or create new income through innovation. The concept was mentioned in Harvard Business Review already in 1984. Service Design also borrows a lot of skills, methods and tools from social sciences, marketing, management and other domains.

A) Higher mutual value

It is human nature to constantly strive for a better quality of life. So if we look at the difference between a commodity (say coffee beans) and a product (package of ground coffee), the more useful for the customer, the more the provider can charge.

If you can get a hot cup of nice-smelling coffee, you are happy to pay even more. In a nice café you can enjoy the relaxing experience of sitting in a leather armchair with Jazz music and a magazine zipping your Latte – and of course that costs extra. In a B2B environment it would be about better understanding and optimizing the value for decision makers and users.

By working strategically with Service Design there is a clear opportunity to improve and innovate to climb the value chain for all organizations. By looking at both the value for the organization as well as for the customer to create the optimal ‘win-win’ situations.

4 The Experience Economy, Joseph Pine II and James H. Gilmore, 1999/2011
5 Mutual Value Matrix, Stefan Moritz, Design Management Forum, Cologne 2008
B) Gap in quality and productivity
The investment in scientific research is extremely small in the world of services. One study found that the average investment in research in producing companies has a ratio of 50:1 compared to service companies. No wonder the quality and the productivity of services still are far behind products. Even more alarming is that 60% of new service introductions fail. Therefore we see a significant opportunity to design services with higher quality and increased efficiency by aligning them with customer needs and expectations.

C) New expectations
As organisations, we need to constantly improve and be ready to live up to new customer expectations. Not only from the generation growing up, new expectations and behavioural changes are also set by innovations from other sectors. Health care professionals are challenged when internet-searching patients know more about their specific symptoms than they had a chance to study. This is a great challenge but also a fantastic opportunity.

This is Stefan’s daughter Elsa who is 4.5 years old. She doesn’t understand why you can’t touch the TV just like her iPad. Alan Kay said: “Technology is anything invented after you were born.” The new generation will grow up with new expectations and we can get inspired and prepare for that.

41% / 6% Source: Design Council UK 2005
Failure rate Source: Stevens and Burley (2003)

4 Prof. Birgit Mager, 2005
D) The bigger picture
Another reason to why Service Design is so important and valuable for companies, organizations and brands is that it helps us look at the entire experience from the customer point of view. If we want to deliver a great service experience, the only way is to design it with an outside-in perspective.

We need to take an interest, invest time to listen and ultimately care about the customer point of view. After all, this is why organizations and brands exist in the first place.

E) Mitigate the risk of failure
The Service Design approach provides a more effective way to reduce the rate of failure. Through building from true customer insights, engaging key stakeholders throughout the process and balancing mutual value the solutions achieved are more relevant, feasible and sustainable.

The creation of customer satisfaction is synchronized with business value, which enables a healthy and stable ecosystem that can thrive. Through experience prototyping it is possible to test key concepts when the stakes are low and in safe environments. This approach is a faster way to establish something that works and is innovative and valuable.

In Summary: Fast track and future proof
Service Design can help an organization either to fast track or future proof its development of a better offer and customer experiences.

The Service Design approach is a catalyst that helps making available knowledge more accessible. The key is to focus on the most valuable customers, prototyping different concepts to optimize early on. It speeds up processes and allows for effective collaboration with multiple stakeholders and customers.

Looking towards the future, Service Design is a great way for an organization to find out about needs and desires of customers. In this way new offerings are built on true customer insights. Making the company or project vision tangible, so that all stakeholders are onboard, is extremely valuable and allows everyone to focus on how to get there together.

What specifically the design perspective brings to the table is deeper customer empathy, a more holistic perspective, creative imagination and facilitation of a more effective way of collaboration.
Veryday have developed Fabric™ as our collaborative, modular, interconnected and iterative framework – enabling a systematic approach when designing for experiences.

The Fabric framework captures the experiences we gained over years of working collaboratively with our clients, in many different sectors and contexts. It describes the six key elements of our Service Design approach. These elements overlap and link into each other, and together they create a landscape for a successful Service Design project.

**Learn** – Capturing knowledge about customers, stakeholders, trends and markets.
Curiosity and empathy are probably the most important characteristics of any Service Design project. There is always a new important perspective to explore, whether it is observing a heart surgery procedure or going shopping with the citizens of the poorer areas of Sao Paolo or following someone going to the post office to send off a package.

To be able to design relevant and desirable services, we need to understand some of the fundamental values and attitudes of key customer segments. What is really important to them? These deeper aspects are rarely captured with traditional market research tools like questionnaires or surveys.

In order to find out what is truly important to people, we need to take part of their lives, even if it is only for a short while. We use a range of alternative methods and tools to capture and map what we learn about people. Usually a combination of observation, conversation and co-creation is very effective to collect key information in a fairly short time.

**Best practice:**
We have found that capturing what a user does over time on video and then sitting down and analyzing the video together with the user gives an entirely different level of understanding. We call it co-analysis.

**Fabric™**
Collaborative, modular, interconnected and iterative way of working to systematically design for experiences.

**Insights into the Veryday Service Design practice**
It is critical that we capture customer experiences over time and in context. There is a before, during and after perspective to most services and the customer experience may differ a lot in the different stages. These experiences can then be mapped out in a visual Customer Journey Map, and several user experiences can be overlaid to clarify patterns.

Tapping into peoples emotional responses in different situations is a powerful way to identify the really important issues.

Bring to Life – Enable common understanding through visualizations, role-play and tangible artifacts.

We have learned that it is very efficient is to set up a dedicated project space where all the captured user stories and all the relevant input material in the project can be exposed and visualized on the walls. This room becomes a tangible hub in the “Innovation Lab” and serves as a platform for participation in the client organization.

By making the user stories visible and accessible to anyone in the organization they come alive and have the potential to influence how internal stakeholders make decisions in their field of responsibility.

Engage – Foster essential participation and buy-in from customers and stakeholders.

Our approach is based on the philosophy of engaging key stakeholders throughout the development process. Invite, listen, engage and make them contribute to the results with their own experiences and ideas. The traditional agency approach is a typical Ping Pong Approach. The designers get a brief, go home to work and then come back and present. The Client says; “a little bit more like this or like that” and the agency go back home and continue to work. And so it goes on.

Veryday’s approach is highly collaborative, which was key to the success of our project. First of all, it lead to a strong idea generation phase with ideas coming from multiple stakeholders in the organization. Secondly, it resulted in us taking a stronger ownership of the end deliverables.

Joakim Thor, Business Development Manager, Svenska Spel

Instead of this we suggest the Wheelchair Rugby Approach. We want to throw everyone into the room at once and work it out. Everyone is a little different, and brings different experiences to the game. It
may look messy but there are rules and structures that makes it much more efficient, particularly when designing for complex deliveries like services that require many different parts of the organization to play together in order to deliver a consistent, pleasurable service experience.

What we, and our clients, have seen is that this leads to better quality ideation work and a larger internal ownership of the ideas coming out of the process. Different stakeholders align around a vision and through this the ideas start spreading through the organization ‘organically’. The implementation therefore starts already during the ideation phase.

We like to solve the problems together with the client rather than for the client.

**Sense Making – Map out and set a direction in context of the entire service ecosystem.**

Having captured all the stories and collected relevant information about markets, trends, competitors and substitutes time has come to make it all understandable and meaningful. Take it apart and put it together in new ways. Identify the patterns, flows and connections in the content. This work is best performed with a mix of competences and different types of brains in the room. Sorting and clustering the material often creates an ecosystem of components, actors or situations that can clarify important aspects to preserve, develop or change.

Entirely new business opportunities can emerge in new connection points in the system. It is important to question the old ways of doing business, look for new angles or combinations that have the potential to bring new value for the customer. At this point it is key to also review the Business Case to identify the themes with the biggest potential.

**Best practice:**

When working like this with Svenska Spel (the Swedish National Lottery) we put out a huge bowl of candy in the project room. Beside it was a note saying “if you take a piece of candy you have to contribute with a Post It comment to the material on the wall”. And, miraculously, almost every time when we left the room, there were new comments added when we came back, many of them with new ideas and perspectives we had not heard of before. Material together from different perspectives.
Explore – Prototype, test and co-create options, ideas and solutions together.

Everyone working with innovation has heard by now that it is important to fail. Fail early, fail often, and fail cheap. But still there are not so many service organizations that live after those principles. The point is of course to clear out the bad ideas before you invest too much in them. This method of prototyping is very well used in the product design world, and in the digital world beta testing is a similar example. So how do you prototype a service? For example by using props and co-create with customers so they can visualize their view on the future service offering. Another related method used a lot is Role Play.

Simple prototypes with paper and foam-board is also a fast way to secure you are working on the right concepts when developing services. Quick prototypes of screens and scenarios can give incredibly rich feedback from customers in short time.

Scale and sustain – Make it happen, support implementation and measure outcomes.

Show time. All systems back stage need to be in place so that everything works smoothly front stage. Using the theater metaphor can sometimes clarify what it is all about. As a manager you cannot be everywhere when the service is delivered so staff needs to be trained and informed along the way, the play has to be rehearsed to follow the metaphor. Even here a prototyping approach is useful. Things can be scaled up bit by bit. Run a pilot before the full roll out of a new offering. A lot of the fine-tuning can be fixed that could otherwise cause unnecessary costs if they need to be changed later on.

At this stage it is clear that the early involvement pays back many times, since most of the key stakeholders are already on board, joining forces. This is an important part of bringing the rest of the organization to the right level for the new service delivery.

Finally

While we cannot design the actual customer experience (that belongs to the people using the services), we can design the ecosystems around it, set the scene, and help create the best possible conditions for a delightful experience.
Potential impact and outcomes

Service Design projects deliver savings, affinity and growth through higher revenue, improved operations, increased efficiency and greater employee and customer satisfaction.

Savings
Many service design projects deliver return on investment only by the outcome from increased efficiency. By identifying elements that are not needed or are less valuable, the customer journey can be streamlined. Another key area for savings is the reduction or avoidance of failure.

Through prototyping and engagement of stakeholders and customers, services can be tested early on. As many service design projects involve different parts of the organization, an internal ‘sell-in’ phase is not necessary and the implementation can run more effective and sustainable.

Affinity
Instead of delivering brand promises by advertising, this approach delivers tangible brand value. Many companies are driving their progress though acquisition of new customers requiring high marketing budgets. However, the applied Service Design approach ensures that existing customers are satisfied. That increases loyalty and ensures that the offer is strong and relevant. When customers are satisfied it is easier to amplify that success into creating advocacy.

Social PR and word-of-mouth are key drivers in customers decision-making. Trusted recommendations from peers or based on experience, create valuable equity.

Growth
It is often possible to add value to the experience of existing customers. And that could lead to growth if they are happy to pay for added value or new services. The service design approach is also used to explore new markets and customer segments. Many organizations have untapped resources in form of people, knowledge or equipment. These assets can be leveraged in new solutions and can help generate value and growth.

A vital part of that is telling a compelling story about what our future customer experiences will be like. A story that can serve as an internal vision for everyone, so that it becomes clear how each player in the service delivery system can contribute to make it come true.
Veryday is one of the top-ranking design consultancies in the world. We have a strong commitment to people-driven innovation as a means to enhance quality of life and make every day a Veryday. Based on deep people insights our 70 design specialists create innovative solutions through products and services in the physical and digital world. We are a company with an impressive track record for design that has helped build remarkably successful businesses for our clients since 1969. We have offices offices in Stockholm, New York and Shanghai, and are represented in London.