Service design and operations strategy formulation in multicultural markets

Bibliographic data

The paper was published in 2001 under the <u>Journal of Operations Management</u> and it was written by Madeleine E. Pullman, Rohit Verma and John C. Goodale. It goes by the name "Service design and operations strategy formulation in multicultural markets".

Definitions and abbreviations

BCIT   – Big City International Terminal (international airport in the US)
DCA   – Probabilistic Discrete Choice Analysis

Theme of the paper

The paper approaches the theme of **operations strategy in multicultural markets** and the authors reflect on the strategic trade-offs that service firms face when targeting multicultural customer segments simultaneously.

The goal is to suggest an approach for determining the extent of service and process attributes **standardization versus customization** in multicultural settings by answering these questions:

> "How can managers identify the service preferences of their customers who belong to different nationalities or cultural segments?
>
> How can key similarities and differences between the service preferences of customer segments be quantified?
>
> What possible operations and marketing strategies should service managers implement to address these preference similarities and differences?
>
> And, how can managers evaluate the effect of these different operations strategies on their firm's market performance in multicultural environments?"

Synthesis of the paper

The basic idea is that service designers must identify the needs and preferences of a target market and match them with an appropriate operating strategy, design and delivery system and, in a **multicultural context**, the challenge is in the fact that they are dealing with different segments simultaneously, which means **different sets of needs and preferences**.

The existing research on the topic was mainly focused on the **standardization** level of marketing strategies during globalization, but the aim of this paper was to complement it by balancing it with **customization** to meet the different culture segments' needs.

When dealing with customers there are two fundamental aspects: what they **expect** and what they **perceive** once in contact with the service. Therefore, managers must determine which attributes are important to customers, if the service is capable of delivering those attributes and the customer's subsequent perception of the delivered service. Both expectations and perception of the delivered service vary from people with different cultures or nationalities.

This raises the question of whether the chosen service strategy should **target the needs of one single segment, all segments simultaneously or different segments at different times**.

A possible answer to this question is that the strategy should fit the cultural differences where the service is being provided. Another opposing one is that the appeal of a service should

be enough to win customers over, considering the example of internationally recognizable big chain brands.

The authors realised there needs to be a balance so that, in attempting to give the best service to every customer, the strategy does not end up being unprofitable and disadvantageous.

In this line of thought, the authors offered two different proposals which were generally confirmed:

1. In their evaluation of service designs, **cultural segments will prefer service product and process attributes that are in line with their cultural norms**;
2. Cultural segments will **share similar preferences for promoted attributes of service concepts that have universal appeal**.

The data used for the purpose of this paper was collected from the BCIT terminal management food-service vendors and customer choice data collected during 1998 and the method used was DCA, as it enables to determine if there are significant differences between the segments' preference models, evaluate changes to each attribute of a specific service design for a segment and look at the financial trade-offs of implementing different service strategies.

BCIT was chosen as the experimenting subject due to:

- Large concentrations of international people nations;
- Terminal layout limits total market of customers to choosing a food-service vendor from a fixed set of alternatives – unusual opportunity to characterize the entire market environment;
- Potential customers able to see all food-service vendors at the same time – firm related issues on which customers focus is expected to be solely marketing and operational;
- Fixed flight schedule – predictable arrival pattern of segments;
- Fixed number of food-service vendors with very different but simplistic food concepts – allows to experimentally design many different service modifications for each vendor.

The conducted study divided customers into 3 different segments according to their language or where they were departing to and it was possible to establish a demographic profile for those segments considering their flight times, money spent, amount of people in the party and so on. The study allowed to understand the preferences of the different segments, how that preference varied in relation to brand, variety, wait-to-order and service time and language and image additions to the menu.

Based on this study, the authors suggested a few alterations such as taking advantage of the little overlap between segment groups during the day to adjust process attributes by adding staff during time sensitive time slots, adjust product attributes or take advantage of departure times to modify the menus for certain slots off-peak times to appeal to other segments. The BCIT authority implemented the suggested alterations in phases. At the time of the report, the first phase had amounted to a 50% sales increase in relation to the previous year.

The focus of this paper was on the market share impacts of catering to different national segments in a specific setting. In terms of how this study might apply to other industries, it is possible to understand that there needs to be careful consideration to **balance the degree of standardization and customization so that the costs of one do not outweigh the benefits**. It was also evident that local chains can indeed compete against internationally known brands by catering to cultural norms of specific segments. However, since the setting was so specific, **generalization of the results to other services should be done with caution**.

Reflection

I would like to discuss some main ideas that stood out for me.

An interesting idea is that "perceived customer value is created by a service's ability to personalize service delivery or 'industrialized intimacy'". However, this 'industrialized intimacy' is usually achieved through information systems that track a customer's history and preferences, i.e., it works for a base of repeat customers only where the service settings are not anonymous or the markets transient.

To begin with, it is interesting how 20 years ago this was already a perception but only now are companies truly taking advantage of this aspect of being able to track a customer's behaviour and personalize their experience based on that. I think mostly this is the case because the perfect opportunity to implement this idea is, in fact, the Internet and it is an ever-growing market. At this point, any service online can perform this as long as users have personal accounts. I think this was a very visionary notion to have at the time since no one could really predict the potential of the Internet at that point or how much it would take up such a big part of our lives nowadays.

On the other hand, this raises many questions that have been being addressed lately which is the matter of privacy and data protection. In attempting to deliver the most personalized experience, are we compromising the sanctity of privacy? At this point, I do not think the existing laws for data protection truly cover the full extent of this subject and as an individual I feel that most of the time I am forced to agree with Terms and Conditions policies I hardly understand because otherwise I am not able to access certain content. Should I not be able to access it and choose whether or not to have my personal information licensed to someone else? I find that in these types of services it is important to take and give in return, but a possible solution to this would be not to personalize the content if the user has not agreed with the terms. Some websites even have the option to let users choose how much of their information they want to share and to which purpose.

Another idea that stood out was the constant highlighting throughout the paper on trying to cater to and be sensitive about cultural norms of specific segments. I think this is something no one can argue with but it leaves me thinking on whether the aggregation of the segments in the paper into English, Japanese and Spanish was right or not. It seems to me that the authors just shot themselves in the foot.

Joining all Europeans in the English segment seems to me a very big generalization crossing many cultural norms, ignoring dietary differences, travelling habits, family culture and so on. For example, Portuguese people follow a varied and well balanced Mediterranean diet while Brits have traditionally blander food, Portuguese travellers have a significantly lower power of purchase in relation to Danes or Swiss, Portuguese families are typically used to homemade meals while Belgians eat sandwiches on the go or premade food on their way to work.

In my opinion, the paper is quite lacking in some aspects.

Its **purpose** was to **draw conclusions on service design and operations strategy formulation in multicultural markets** but the problem they chose to experiment with does **not allow for universal conclusions**. In this sense, the content was not in line with the stated purpose as **no real conclusion could be drawn** from the performed analysis. In general terms of customization vs standardization, I do not think the paper offered many conclusions regarding the desirable ratio. In fact, the paper ended similarly to how it started by just concluding that there needs to be a balance between standardization and customization maintaining sensitivity in relation to cultural norms.

I find most of the theoretical information provided in this line is **not new information**. For example, we all know it is important to be sensitive to the similarities and differences of people from different cultures and be aware of different cultural norms. It is **common sense** that

despite natural preference for certain aspects and certain norms people are not willing to cross or abdicate of, they will always prefer a well-known brand where they know what to expect no matter where in the world over a local chain they have never heard of.

Also, despite the fact this is one of the **most complete** papers I have come across in relation to **explaining the chosen method and the formulae involved**, there was not much done in terms of calculus to offer proof of the benefits provided by the suggested alterations to BCIT's food-court. Some conclusions were provided in terms of market share, but there was **no benefit-cost relation**. So **not only did they stick to a very specific context but also even in the chosen case there were not many conclusions offered** to the reader.

Because the context was very specific with very controlled variables, I believe it is a very **interesting experiment for learning purposes** as it is easy to change up the variables mathematically and create several scenarios and projections to draw different conclusions. However, not so much to draw real conclusions applicable to day to day management.

In addition, personally, I think the paper focuses too much for too long on theoretical abstract explanations of the problem to be approached in the following sections. I would have made a brief explanation of the basic concepts in the beginning and then explain more in detail as needed in the specific case of the problem. For readers educated on the subject, the explanations of the concepts are unnecessary but, for those who are not, having to go back to look for the explanations when they need them hampers the understanding of the problem and the solutions. If the explanations were intertwined with the problem, it would be easier to keep track of what they are talking about.

Overall, I found the paper quite easy to read as the subject of multicultural segments is very **interesting** to me and the topic is **still very relevant** despite the fact that the data used is from over 20 years ago.

In spite of the fact it actually received an award for best paper, as stated before, I feel it is **overly insistent on theoretical explanations** but it could be because the knowledge I now take for granted and consider common sense might not have been available or so obvious when it was first published.

I have had the opportunity to read many scientific papers in the last weeks and this is by far the one that goes the most in depth in terms of explaining the methodology and the calculus behind the displayed results. That being said, I think the **gathered information could have been more thoroughly explored** in order to draw more conclusions and it would have been interesting to really **get the full report on the impact of all the proposed alterations**.

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