

# RE-THINKING SERVICE STRATEGIES TO DRIVE PROFIT

By Samantha Lucy and Betty Jones-Bliss

**D**URING PERIODS OF RISING PRICES and shrinking profit margins, one of the first things placed on the chopping block is often the “extras” that get bundled into a sales offer. According to a recent gathering of academic experts and leading business practitioners, the value-added services a company offers are not only an essential part of the sales and marketing mix, but they can also be an untapped profit center for many firms.

More than 150 representatives of all facets of the food and agribusiness industries gathered for the bi-annual National Conference for Agribusiness, hosted by the Center for Food and Agricultural Business at Purdue University this past November.

The theme, *Re-Thinking Service Strategies: Innovations that Drive Profit*, guided them through an exploration into the areas of service and service management.

## Use Services to Generate Profit

One common problem faced by most firms is that they have been giving services away – basically for free – as part of a bundle of products or services. When packaged together with physical products, the impact of the individual service offering can be diminished. The challenge facing managers is to increase revenue by selling what they already do – without alienating customers in the process. Critical to this process is a true understanding of your customers, what they do and how they do it. You must know what your customers value and what they’re willing to pay for.

## Developing a Service Orientation

Becoming a service-oriented company requires that managers bring more sophistication, a higher order of management and a more objective business orientation to the service side of their organizations. For years, managers have given a great deal of attention to managing their physical product offerings. A wide range of tools is used to manage and evaluate products, including in-depth analysis of pricing strategies, features and benefits, product life cycles, production costs and (of course) profitability. The question is how to bring this same rigor and discipline to the management of services.

According to Michael Brady, Associate Professor of Marketing at Florida State University, service-oriented companies have historically had lower satisfaction ratings than companies selling physical products, and this is true because customer expectations are very difficult to manage. A customer is more likely to remember a poor service experience than they are a product failure. Brady discussed what he defined as a “zone of tolerance” for service providers. Within this zone, customers are usually willing to accept a certain degree of variability in company performance.

## Creating Value Through Service

Creating value through service is an important strategy for competing in a highly competitive business-to-business marketplace.



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One keynote speaker outlined his company's belief that it grows and prospers ONLY when its customers do. As part of a major company initiative, it discarded its "inside out" approach and adopted an "outside-in" approach that meant spending meaningful time listening to key customers. Customers were asked to rate the value of services currently provided and to help identify additional services that could be of value.

It's one thing to ask your customers to rate the value you provide, but imagine their reaction if you made your efforts more transparent and provided a comprehensive report outlining the results of your in-depth interviews, including an action plan. Being able to candidly speak with customers about the differential value you bring to their operations, relative to the value provided by another firm, could go a long way toward solidifying a long-term relationship with a customer.

### Assessing Service Opportunities

When considering the development or expansion of the services your firm offers, success lies not just in knowing which

**"Assessing service opportunities is an artful mix of economics, science and practical experience."**

services your customers are interested in, but also in determining which services you can profitably bring to market. John Mann, Vice-President of Engineering at John Deere AgriServices, stressed that as a manager, you need to develop a formal process for evaluating ideas and determining their chances of success prior to launch – the marketplace can be a pretty unforgiving place for those ideas not fully vetted in advance.

"Assessing service opportunities is an artful mix of economics, science and practical experience," said Mann. "Don't let yourself get caught up with 'how' to bring a new service to market, when you should be asking 'why' to bring it. It's important to get the solution before the science."

### Pricing and Selling Service

Pricing and selling service is one area where many companies struggle – often falling short of potential profit and revenue goals. The realities of an evolving

marketplace have led many firms to conclude that traditional value-added service bundles no longer serve the increasingly unique needs of many of their customers.

One crop input supplier discussed how his firm had leveraged its knowledge of its customer base with a new technological service offering designed to provide real-time answers to customers in the field. Using hand-held devices with customized software and a complex pricing system, this firm is able to create custom solutions for clients based only on those services which they are willing to pay for – nothing more or less.

### Establishing a Service Culture

Service to customers is ultimately delivered through people. Joe Tye, speaker and author of several books on values-based life and leadership strategies, discussed the importance of a more positive and productive organizational culture. Organizations that deliver exceptional customer service usually have an invisible architecture based on core values and employees' perceptions of how the firm's service offerings are valued in the marketplace. Using these as a guide, a firm's leadership team can develop a blueprint for creating a service culture that leads to a sustainable source of competitive advantage in the marketplace.

### Re-thinking Service Offerings

As a firm in a consolidating market, your competition is fierce. As you look for growth opportunities and other ways to increase revenue, many firms leave money on the table in the area of service and service management. Regularly auditing your portfolio of services gives you a chance to ask tough questions – and hopefully develop a product-service mix that maximizes impact for both you and your customers. **SW**

*Editor's Note: Betty Jones-Bliss is the Interim Director with the Center for Food and Agricultural Business at Purdue University. Samantha Lucy is the Marketing Manager.*

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