NSD Processes and Practices in Experiential Services*

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This paper examines new service development (NSD) in a distinctive set of services: experiential services. Organizations delivering experiential services place the customer experience at the core of the service offering. They focus on the experience of customers when interacting with the organization rather than just the functional benefits following from the products and services delivered. Increasingly, organizations are recognizing that managing customer experiences is a powerful way of differentiating from competitors, establishing emotional connections, and increasing customer loyalty. Studying experiential services sheds light on this highly intangible type of services and, by representing an extreme end of the service spectrum, can advance the knowledge on the wider area of new product and service development. This paper addresses three research questions: (1) What are the processes and practices used in the development and design of experiential services? (2) How are these processes and practices similar to or distinct from established NSD practices? (3) How do these findings reflect on the wider area of NSD? The study concentrates on five dimensions of NSD: (1) the process; (2) market research; (3) tools and techniques; (4) metrics and performance measurement; and (5) organization. For each of these areas propositions are formulated and refined with empirical data. Using the case research methodology, empirical data were collected in 17 case companies: experiential service providers, design agencies, and consultancies known for focusing on the customer experience. The main method of data collection was interviews with those involved in experiential service design, such as founders, executives, or experienced designers. The case data revealed a number of practices specific to experiential services. These include a strong emphasis on gathering customer insights, in several cases obtained through empathic research and ethnographic research techniques. Other specific practices for experiential services include mapping customer journeys or touchpoints and storytelling. The case study companies also revealed a trade-off between relatively formal, tight methodologies and more flexible, loose methodologies in NSD. More research is required to investigate the contingency factors surrounding tight or loose methodologies. The results also revealed the use of more broadly used NSD practices, such as a systematic NSD process, multiple performance measures, cross-functional teams, and front-line involvement. The observations from this study are captured in a set of seven propositions concerning NSD in experiential services. Reflecting on NSD in general, this study highlights the important role of service process innovation compared with service product innovation and the importance of continuous innovation requiring NSD processes and practices that are more flexible, iterative, and nonlinear. The study also supports the argument that different types of services may require different NSD processes and practices.

Introduction

With the growing recognition of the role of services in today's economy, both in terms of employment and contribution to gross domestic product (Spohrer and Maglio, 2008), increasing attention is being paid to new service development (NSD). Rather than seeing it as an extension of new product development (NPD), scholars are increasingly examining how NSD is different from NPD and what general principles apply (Johne and Storey, 1998; Johnson et al., 2000; Menor, Tatikonda, and Sampson, 2002). There is a growing body of research into NSD including common practices and success factors (Atuahene-Gima, 1996; Cooper et al., 1994; de Brentani, 1989, 1991; Froehle and Roth, 2007; Froehle et al., 2000; Vermeulen, De Jong, and O'Shaughnessy, 2005).

The diversity of the service sector suggests that differences exist not only between the development of services and the development of physical products but also between different types of services (Johne and Storey, 1998; Hipp, Tether, and Miles, 2000). Recently a contingent view of the product and service development process has emerged (e.g., Avlonitis, Papastathopoulou, and Gounaris, 2001; de Brentani,

2001; MacCormack, Verganti, and Iansiti, 2001; Olson, Walker, and Ruekert, 1995). Rather than one best way of organizing the activities of product development, "different types of projects carried out in different environments are likely to require quite different development processes if they are to be successful" (MacCormack and Verganti, 2003, p. 217). This calls for more subtle analyses of NSD, recognizing the context and characteristics of the services being studied.

This paper studies the NSD practices in a subset of services that is quite far from tangible products: services with a high experiential content. An organization delivers an experiential service when it places the customer experience at the core of the service offering. Such organizations focus on the experience of customers when interacting with the organization rather than just the functional benefits following from the products and services delivered. Although experiential services can traditionally be found in the leisure and entertainment industries, more and more organizations are recognizing that managing customer experiences is a powerful way of differentiating from competitors, establishing emotional connections, and increasing customer loyalty (Haeckel, Carbone, and Berry, 2003; Pine and Gilmore, 1999; Pullman and Gross, 2004).

Focusing on the customer experience is likely to have implications for the design and development of services, for example, because of the large number of aspects that can influence an experience and their

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inherently personal and emotional nature. This paper addresses three research questions:

RQ1: What are the processes and practices used in the development and design of experiential services?

RQ2: How are these processes and practices similar to or distinct from established NSD practices?

RQ3: How do these findings reflect on the wider area of NSD?

The study is based on 17 case studies of experiential service providers and design agencies and consultancies that specialize in customer experiences. It investigates what general "best practices" identified by prior NSD studies (e.g., Griffin, 1997b) are employed in these types of services and what other practices are used. This enables advancing the knowledge not only on NSD in experiential services but also on the wider area of new product and service development. Studying a subset of services can reveal or emphasize elements of innovation that have previously been neglected yet are relevant for the broader area of services and perhaps even physical products (Coombs and Miles, 2000; Drejer, 2004). Experiential services, representing an extreme end of the service spectrum, form a suitable subject.

The paper first introduces experiential services. It then reviews current literature on NSD and develops propositions concerning five common dimensions of NSD practices. Next, the methodology is described. It then analyzes the data from the 17 case studies. The paper finally reveals preliminary findings about generic and typical NSD practices in experiential services and presents implications for researchers and managers in the field of experiential services and the wider context of new product and service development.

Experiential Services

The customer experience has always been part of service management. Typically, it has been seen as relating to how the service is being delivered as opposed to what is being delivered (Johne and Storey, 1998; Meyer Goldstein et al., 2002). Following the articulation of the concept of the experience economy by Pine and Gilmore (1998, 1999), there has been a renewed interest in how service companies can use the customer experience paradigm as a strategic initiative to create competitive advantage (Voss, Roth, and Chase, 2008). There are an increasing number of

well-known examples of organizations seeking to do this, such as Yo! Sushi restaurants, Build-A-Bear Workshops, and Joie de Vivre hotels. These companies systematically design and manage their customers' experiences before, during, and after service delivery. The services they deliver are experiential services, meaning that the focus is on the experience of customers when interacting with an organization rather than on just the functional benefits following from the products and services delivered. Experiential services are used to differentiate from competitors and to strengthen the relationship between customers and the organization (Berry, Carbone, and Haeckel, 2002; Pine and Gilmore, 1999; Pullman and Gross, 2004).

Customers construct an overall experience based on their interpretation of the series of encounters and interactions designed by the service provider (Hume et al., 2006). Thus, experiences are inherently personal and unique, for they are based on an individual's interpretation of events (Pine and Gilmore, 1999). They are also inherently emotional, reflecting an individual's emotive response to stimuli that occurred during service delivery, such as the behavior of a service provider or the appearance of a service facility (Pullman and Gross, 2004). Managing customers' experiences therefore includes managing customers' emotions such as joy, awe, interest, affection, and trust (Haeckel et al., 2003). In addition, this provides the opportunity to "engage" customers, or to connect with them in a personal, memorable way (Pine and Gilmore). Such an emotional connection strengthens the relationship with the organization and is an effective way of influencing customer loyalty, as emotional bonds are often difficult to break.

The emotional and personal nature of experiences has implications for the development process. For example, organizations cannot control the ultimate customer experience because experiences are dependent on many personal and contextual factors. At best, organizations create or stage the prerequisites that enable customers to have the desired experiences (Edvardsson and Olsson, 1996; Gupta and Vajic, 2000), which introduces several uncertainties to the design process. In addition, for many service organizations designing for customers' emotions is new territory and can be a long way from the more conventional paradigm focusing on customer satisfaction. This produces significant challenges for the design and development of experiential services.

NSD Process and Practices

NSD refers to the overall process of developing new service offerings (Johnson et al., 2000), from idea generation to launch or implementation (Cooper et al., 1994). It includes both the planning phase and execution-oriented back end of the process (Khurana and Rosenthal, 1997; Johnson et al.; Menor et al., 2002). In the context of experiential services, a new service is here defined (based on Johnson et al.) as an offer not previously available to customers, resulting from the addition of offerings to the experience, radical changes in the service delivery process that creates the experience, or incremental improvements to existing service and experience packages or delivery processes that customers perceive as being new.

Focusing on common NSD practices in experiential services, and how they are similar to or different from general NSD, this paper examines five dimensions. These are particularly relevant for the development of new services and can shed light on the peculiarities of experiential services: (1) the NSD process; (2) market research; (3) design tools and techniques; (4) metrics and performance measurement; and (5) organization (Barczak, Kahn, and Moss, 2006; Cooper and Edgett, 1999; Griffin, 1997a; Vermeulen et al., 2005).

NSD Process

The NSD process can be defined as the set of activities, actions, tasks, and evaluations that move a project from the idea stage through to launch (Cooper et al., 1994). Typical stages are concept creation, analysis, detailed design, and launch (Froehle and Roth, 2007; Johnson et al., 2000). Having a systematic NSD process is often considered one of the key success factors for new service development. A systematic process involves several activities aimed at improving the efficiency and effectiveness of launching a new service, such as a formal procedure for generating and evaluating new service ideas, a drawing-board approach for service design, and testing new services with customers and a documented launch plan and often includes a Stage-Gate® system (Cooper, 1990; de Brentani, 1991). Griffin (1997a, 1997b) found that fewer service firms make use of formal Stage-Gate type systems than manufacturing firms. Compared with product companies, service companies are often reported to have an unsophisticated or haphazard

NSD process that is ad hoc or based on trial and error (e.g., Cooper et al.; de Brentani, 1989; Menor et al., 2002; Shostack, 1984). Avlonitis et al. (2001) discuss the formality of NSD processes. They see formality along three dimensions: (1) the degree to which regular systematic procedures and rules govern the development process; (2) the extent and intensity of formal paperwork pertaining to NSD; and (3) the presence or degree of defined and specialized roles and assigned responsibilities regarding service development decision making. They distinguish between the activities being carried out in a NSD process and the formality of the process, implying that comprehensiveness in terms of development activities does not have to overlap with a high degree of process formality.

Whether there is one best way of new product and service development is subject to debate. Mac-Cormack and Verganti (2003) argue that the design of the product development process is contingent on the context in which that process operates. Whereas in situations with little or no uncertainty a formal Stage-Gate process is effective, situations with greater uncertainty require a more flexible process (see also MacCormack et al., 2001). De Brentani (2001) concludes that a formal front end (the evaluation and design process) was more important for incremental service innovations, whereas a formal back end (testing and launch) applied to both incremental and discontinuous innovations. Thus the design of a NSD process may depend on the type of new service development. In the context of experiential services, systematic NSD processes may be expected, because the design and management of customer experiences involves careful planning of tangible and intangible service elements (Pullman and Gross, 2004). Flexible processes may also be expected as the context is subject to high uncertainty. This leads to the following proposition:

P1: NSD processes in experiential services need to be both systematic and flexible.

Market Research

Understanding customer needs is a vital part of any NSD process. In a study of new financial services, Cooper et al. (1994) found that a market-driven and customer-focused new product process was a key factor that drove financial performance, relationship

enhancement, and market development. A variety of qualitative and quantitative market research techniques are available, including surveys, focus groups, one-on-one interviews, conjoint analysis and choice modeling, consumer panels, and voice of the customer interviews (Cooper and Edgett, 1999; Griffin and Hauser, 1993; Rosenau et al., 1996).

Yet conducting market research by interviewing customers has limitations: customers can share only what they already know; their imaginations and desires are bounded by current experience and existing solutions (Leonard and Rayport, 1997). Out-of-the-box innovations that address unarticulated customer needs are hard to generate from traditional market research. Ethnographic research techniques, for example as used in "empathic design" (ibid.), are seen as much more suitable for obtaining deep customer insights to guide product innovation (Rosenthal and Capper, 2006). Ethnographic research involves observing or interviewing customers in the full social context within which the use of the product or service is embedded and is done to reveal subtle, often tacit needs of customers. Given the relatively high investment of funds and time that can be associated with these techniques, the need for specialized training, and a lack of familiarity with the concept, the use of ethnographic research is not widespread (Leonard and Rayport; Rosenthal and Capper). However, because of the inherently unique and personal nature of experiential services, the employment of ethnographic research may be expected. This leads to the following proposition:

P2: Market research for the development of experiential services requires empathic and ethnographic approaches.

Tools and Techniques

A variety of design tools and techniques are available for use in the different stages of the NSD process, from ideation to launch. In addition to the use of market research and ethnographic methods for idea generation, common techniques include brainstorming and lead user analysis (Cooper and Edgett, 1999; Rosenthal and Capper, 2006; Urban and Hauser, 1993). At later stages in the NSD process, techniques such as simulation, beta testing, and usability studies can be applied (Cooper and Edgett; Griffin, 1997a; Leonard and Rayport, 1997).

The intangible nature of services can make the NSD process seem relatively simple, for it often does not involve the physical prototypes or detailed technical drawings that are required for most physical products. However, particularly for intangible offerings, creating tangible evidence is important to facilitate communication among the development team members and with customers (e.g., de Brentani, 1991; Leonard and Rayport, 1997). One technique that is specifically aimed at developing new services is service blueprinting or service mapping (Kingman-Brundage, 1993; Shostack, 1982, 1984). These are techniques for designing, managing, and modifying services, based on flowcharting a service process. Service blueprints or maps provide a visual display of the activities that are carried out to deliver the service and the roles of customers and employees. The activities can be separated by a line of visibility, indicating which parts of the service delivery process can be seen or experienced by customers and which parts take place behind the scenes. Patrício, Fisk, and Falcão e Cunha (2008) describe a blueprinting technique for service experiences. In the NSD process for experiential services it might be expected that, in addition to the common tools mentioned here, specialized tools and techniques will be employed to focus on the experiential and emotional aspects of service delivery. This leads to the following proposition:

P3: Experiential service design employs tools that focus on the experiential and emotional aspects of service delivery.

Metrics and Performance Measurement

Many organizations seek to measure the performance of or to develop financial objectives for NSD projects (Griffin, 1997b). Voss et al. (1992) distinguish between measuring the performance of individual innovations and the performance of the development process. A large variety of performance measures is available to measure the success of an NSD project or program. Griffin and Page (1993), for example, identify 75 different measures. Most companies and researchers use multidimensional sets of measures to obtain a balanced view of NSD performance. Although there has been little agreement on which measures are most useful, it can be argued that the set of measures chosen should depend on the purposes of the NSD project (Griffin and Page, 1996; Johne and Storey, 1998).

New services are developed for different reasons and this largely determines what defines success and failure. Griffin and Page find that product development experts prefer different sets of measures for projects with different levels of newness to the firm and the market. For example, for new-to-the-world projects, measures of customer acceptance and customer satisfaction are recommended, whereas for new-to-the-company projects, market share goals and competitive advantage are more appropriate. It might be expected that in the context of experiential services the success of NSD projects is measured in both traditional and unique ways. As the objective of experiential services often is to increase customer loyalty, their success can be measured with traditional customer loyalty measures. Different measures may be required to assess the highly personal satisfaction and emotional components of customers' experiences. This leads to the following proposition:

P4: The development of experiential services requires metrics to assess the emotional components of the customer experience.

Organization

The organizational aspects of a new product or service development process have received a great deal of attention. Overwhelming support is found for the use of cross-functional teams, with little difference between manufacturing and service firms (Brown and Eisenhardt, 1995; de Brentani, 1991; Griffin, 1997b). Froehle et al. (2000) find that although cross-functional teams generally do not accelerate a NSD process they make the process more effective. The main strength of multifunctional teams is the increase in the amount and diversity of information available to the NSD project. This richness facilitates the search for new service concepts and the detailed development and launch of the service, as downstream functions are already involved (Brown and Eisenhardt). On the other hand, cross-functional teams can be more costly than other solutions and tend to be less efficient. Studies taking a more contingent perspective conclude that multifunctional teams are more appropriate for highly innovative projects than for incremental service innovations (de Brentani, 2001; Griffin; Olson et al., 1995).

Several authors address the involvement of front-line employees in the NSD process (de Brentani, 1991, 2001; Schneider and Bowen, 1984; Vermeulen et al., 2005).

This is particularly effective in services where the final product often is created in the interaction between a customer and a service provider; hence, the front-line employees can be "a primary company resource" (de Brentani, 2001, p. 182). Being "boundary spanners" between the employing organization and the customers being served, they typically have detailed insights in how a company's current products and services satisfy customers' needs and wishes and can quickly identify areas for improvement, market opportunities, and potential pitfalls (Bowen and Schneider, 1985; Schneider and Bowen). In addition, engaging front-line employees in the NSD process contributes to the internal marketing of the new service, facilitating implementation and acceptance (Schneider and Bowen; Vermeulen and Van der Aa, 2003). In experiential service design, the amount and diversity of information on the customer experience can be expected to be important; hence, both cross-functional teams and front-line involvement in the NSD process can be expected. This leads to the following proposition:

P5: The development of experiential services requires cross-functional teams and involvement of front-line employees.

Methodology

Study Context and Selection of Case Study Companies

To explore the NSD process and practices in experiential services an empirical study based on a case research methodology was conducted (Voss, Tsikriktsis, and Frohlich, 2002; Yin, 2003). Case research is an appropriate research method for this study, as experiential services and their development are an emergent phenomenon that requires further exploration. The case method lends itself to early, exploratory investigations where the variables are still unknown and the phenomenon not well understood (Meredith, 1998). A particular strength of the case method is the opportunity to investigate the phenomenon in its real-life context (Yin), enabling a deeper understanding of NSD practices and how they are influenced by a customer experience focus. Finally, case research facilitates triangulation of data through multiple methods of data collection and multiple sources of evidence, providing stronger support for results (Eisenhardt, 1989; Yin).

A purposive sampling strategy was used to select a number of case study companies that offered strong opportunities to learn and build theory. Two types of organizations were targeted: experiential service providers that manage customer experiences and design agencies and consultancies that advise on creating good customer experiences. Both groups could be expected to have detailed knowledge of customer experience design in a service context, but their experience might be different. Design agencies and consultancies make their living by doing design and development, which might lead to more explicit practices and views on experience design, but they tend to be employed for a particular part of the NSD process rather than the whole process. Experiential service providers, on the other hand, spend relatively less time on design and development but go through complete design cycles from initial idea to launch and redesign, generating a vast amount of operational experience.

In the sampling process companies that were known for focusing on the customer experience were identified, often recommended by their peers or experts. As experiential services are an emergent area, the focus was on successful pioneers that had developed considerable experience in the field. For both types of organizations companies from different sectors were sought to obtain as much breadth as possible and to avoid industry-specific findings. Of the companies contacted, five experiential service providers did not agree to participate in the project for time reasons. In addition, two agencies were excluded from the final sample because an initial meeting revealed they did not focus on experiential services, and one experiential service provider was not investigated further because it had just started focusing on the customer experience and lacked sufficient experience. The resulting set consisted of nine experiential service providers and eight design agencies and consultancies. The companies differ in size, age, and main location (United Kingdom, United States, or international). The participating companies are listed in Tables 1 and 2.

Data Collection and Analysis

The main method of data collection was interviews with those involved in experiential service design in the organizations studied. The respondents were founders, executives, or experienced designers, usually the persons most intimately involved in the design of experiential services. A research protocol was

Table 1. Case Study Companies—Experiential Service Providers

Name	Type of Business	Experience Investigated	Main Location	Size (2006)	Founded
Bluewater	Regional shopping and leisure destination	Shopping experience	United Kingdom	3 distinct parts on 2 levels hosting over 330 retail brands	1999
Harley-Davidson	Motorcycle products and services	Harley-Davidson riding experience	Global presence; headquarters in United States	349,196 motorcycles shipped worldwide in 2006; over 1,000,000 H.O.G. members	1903
Herman Miller	Office furniture and services	"West Michigan experience," when (prospective) customers are invited to the company's headquarters as part of the sales process	Global presence; headquarters in United States	500 customer visits per year	1923
Le Pain Quotidien	Up-market organic bakery, retail, restaurant concept	Experience in U.K. stores	Europe, United States, Middle East, Russia	more than 60 stores in 10 countries, of which 5 in the UK	1990
Luminar Leisure	Themed bars, nightclubs, and restaurants	Experience in "Lava & Ignite" and "Liquid" nightclubs	United Kingdom	93 venues, of which 38 "Lava & Ignite" and "Liquid" nightclubs	1988
Royal Caribbean	Cruise line	Cruise experience	United States	21 ships to over 100 worldwide ports of call	1969
Virgin Atlantic	Airline	Long-haul travel experience	United Kingdom	34 aircraft to 27 destinations	1984
Walt Disney World	Theme park resort	Theme park experience	United States	20 resort hotels, 4 theme parks, 2 water parks, a shopping & entertainment village, and a sports and recreation complex	1971
X-Leisure	Innovative entertainment and leisure destinations	Experience in Xscape centers, combining activities such as indoor skiing and rock climbing with retail and leisure	United Kingdom	22 destinations, of which 3 Xscape centers	2000 (Xscape)

constructed that included questions about the five dimensions of NSD and the propositions outlined in the previous section with sufficient room for follow-up questions and probing to obtain more complete information and a good understanding of NSD. In total, 40 semistructured interviews, in a total of 17 companies, were conducted from autumn 2005 to autumn 2006, generally lasting from 1 to 1.5 hours. The interviews were recorded and transcribed. To improve the validity of the data, the interviews were comple-mented by examination of documentation and actual examples of experiential services. In the design agencies and consultancies, many examples of actual design projects were discussed. The interviews at the experiential service providers often involved a site visit to observe the services that had been designed and to participate in the customer experience on offer.

The data were managed and analyzed using software for qualitative data analysis (ATLAS.ti). The interviews were coded using a predefined code list

Table 2. Case Study Companies—Design Agencies and Consultancies

Name	Type of Company	Focus	Location	Employees (2006)	Founded
The Brand Experience Consultancy	Consultancy	Helps brands explore the commercial, creative, and communication possibilities of the experience economy	United Kingdom	1	2005
Beyond Philosophy	Consultancy	Provides strategic guidance to help clients develop customer experience strategies, conducts research, and offers education	United Kingdom, United States	15	2001
Gorgeous Group	Consultancy	Creative and operational consultancy, specialists in luxury bars, drink brands, and service	United Kingdom	8	1999
HOK Sport Architecture	Architectural firm	Provides architectural services for sports venues, including ballparks, stadiums, and arenas	United States, United Kingdom, Australia	350	1983
IDEO (Service Practice)	Design agency	Helps organizations innovate through design; the Service Design practice defines and builds customer experiences in industries such as retail, banking, transportation, health care, business-to-business enterprises, and education	United States, Europe, China	450	1991
Imagination	Design agency	Design and communications consultancy pioneering Brand Experience as a new and powerful approach for connecting brands with consumers and corporations	Europe, North America, Asia Pacific	350	1978
MindFolio	Consultancy	Develops visionary concepts and master-planned experiences for leisure, retail, residential, and working environments	Europe, United States	9	2003
Prophet	Consultancy	Helps companies grow and transform by getting the most out of their brands, investments, and people	United States, Europe, Japan	100 (professionals only)	1992

that was expanded during the analysis to capture emerging themes. Coding interviews and using software contribute to more systematic analysis procedures and guard against information-processing biases (Eisenhardt, 1989; Miles and Huberman, 1994). The NSD practices of the case study companies were analyzed focusing on each of the five areas and propositions discussed earlier. Support for the propositions and patterns of similarities and differences were sought. The patterns were compared with extant literature to see how they relate to common NSD practices and what practices can be attributed to the specific characteristics of experiential services. Comparing findings with existing literature often leads to

results with stronger internal validity, wider generalizability, and a higher conceptual level (Eisenhardt). Finally, the findings were shared with all respondents, to check that the observations accurately reflected their design practices.

Results

NSD Process

For each of the 17 case study companies the main activities in their development and design processes were analyzed to see how systematic and comprehensive

they were. Table 3 displays several characteristics of the NSD processes that were observed.

The design and consultancy firms were highly similar in reporting systematic and comprehensive NSD processes, varying from four to seven steps. These processes were documented in company brochures, websites, or books (e.g., Davis and Dunn, 2002; Shaw and Ivens, 2002). An example of a process with a relatively high number of steps is the process employed by *The Brand Experience Consultancy* (see Vignette 1). A closer examination of the different processes revealed that the companies put a great deal of emphasis on the front end of the design process. The most important stage often was "gathering insights." Every firm gathered insights at the start of a NSD process, mainly customer insights. It typically involved market research, interviews with employees and senior managers, and an audit of the current experience.

It was found that most experiential service providers also used a systematic approach, with a lot of time and effort being spent on gathering customer insights and, to a lesser extent, on brainstorming, prototyping, testing, making business cases, planning cycles, and portfolio management. Unlike the design and consultancy firms, the experiential service providers did not express or document their design processes explicitly in a fixed number of steps. In most companies, this was an ongoing process that was deeply ingrained in the organization rather than a discrete activity. At Royal Caribbean, for example, cruise innovations were part of an ongoing thinking and design process about the experience the company wants to offer its guests.

The analysis of the design and consultancy firms found interesting and conflicting evidence. In three firms, the design process was characterized by a detailed step-by-step approach for developing a new design for a service or service delivery process. This is a formal and "tight" methodology; the main steps, activities, and tools and techniques were known beforehand and did not differ much between projects. At Beyond Philosophy, for example, the process typically starts with educating the client about their "Seven Philosophies for Building Great Customer Experiences," followed by market research and the development of a "Customer Experience Statement." Experiences are developed in more detail using the "Customer Experience Pyramid and Moment Mapping" (see also Shaw and Ivens, 2002). In three other firms, the design process was more flexible and had a relatively low degree of formality. This group employed a "loose" methodology, where the main steps, activities, and tools and techniques involved in the design process were determined for each project individually, both at the start and during the process. Imagination, for example, does not have a fixed process, named tools, or trademarked techniques. Instead, it works creatively around a basic briefing process to create an individual solution for every client. Two firms showed a mix of tight and loose processes. For each project they selected a set of steps, activities, and tools and techniques from the organization's toolbox that was considered most relevant for that project. IDEO, for example, is a company that has a variety of things to choose from to "dress" the basic process of Insights, Vision, Expression, and Communication, including a set of 51 Method Cards.

Organizations with tight or loose methodologies were all passionate about their particular approach. The firms that advocated a loose design methodology did so from the perspective that every project is different and unique and therefore requires a tailored solution. The firms with a tight methodology used a particular protocol or road map because they had found that way of working to be very effective. Similar to the design and consultancy firms with loose or mixed methodologies, some experiential service providers stressed the importance of having flexibility in the design process. Respondents stated that sticking to a fixed routine or fixed group of people inhibits their creativity, could increase time to market unnecessarily, and might not lead to the best set-up for the job. Thus, although the contrast between tight and loose methodologies was not as evident as in the sample of design agencies and consultancies, there was evidence that some experiential service providers saw flexibility in the use of methodologies as important.

Though the data gave general support to the proposition concerning systematic and flexible processes, there is a need for further research in this area. Although it is possible to postulate that the choice between tight and loose methodologies may be related to characteristics such as age and size of the firm or type of industry, a pattern behind the choices made by a design or consultancy firm could not be detected. The data showed no other explanation than firms' convictions, a belief that a particular methodology works best for that firm. Thus, the strengths and weaknesses of tight and loose methodologies in NSD and where they may be best used are not clear and provide an area for future research.

Table 3. Case Study Observations of NSD Processes and Practices in Experiential Services[a]

	Experiential Service Providers									Design Agencies and Consultancies							
	Bluewater	Harley-Davidson	Herman Miller	Le Pain Quotidien	Luminar Leisure	Royal Caribbean	Virgin Atlantic	Walt Disney World	X-Leisure	The Brand Experience Consultancy	Beyond Philosophy	Gorgeous Group	HOK Sport Architecture	IDEO	Imagination	Mind Folio	Prophet
Characteristics of NSD Processes in Experiential Services																	
Systematic	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Documented[b]										X	X	X	X	X	X	X	X
Tight (T), Loose (L), or Mixed (M)[b]										L	T	L	T	M	L	M	T
Types of Market Research in the Development of Experiential Services																	
Traditional Research	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X
Empathic Research	X	X	X	X	X					X				X	X		
Trendwatching	X	X	X			X	X	X									
Learning from Others	X	X	X			X	X	X	X								
Tools and Techniques in the Development of Experiential Services																	
Customer Journey and Touchpoints	X		X	X	X	X	X	X	X		X	X		X	X	X	X
Storytelling in NSD										X				X	X		
Storytelling in Experience	X	X	X	X		X	X	X	X	X	X	X		X	X		
Prototyping														X			
Metaphors	X				X			X		X		X			X		
Measurement Issues in the Development of Experiential Services																	
NSD Needs Clear Goals	X						X	X		X	X				X		X
Continuous Measuring		X	X		X	X		X									
Organizational Practices in the Development of Experiential Services																	
"Silent Design"	X	X	X	X	X	X		X									
Cross-Functional Teams	X	X	X	X	X	X	X	X		X	X			X		X	X
Front-Line Involvement						X	X	X		X	X					X	X

[a] An X indicates that one or more examples of that characteristic were found in a particular case study company. The absence of an X indicates that such examples were not observed in the company studied. It should be noted that since data collection, a number of organizations have expanded the number of processes and practices used.
[b] These data were not collected for experiential service providers.

Vignette 1. NSD Process of the Brand Experience Consultancy

Immersion:	Immersion in current experience, end users, and the client organization
Investigation:	Auditing current experience and investigating room for change
Ideas:	Generating ideas for products, services, environments, etc.
Implications:	Determining implications of ideas in terms of people, time, costs, etc.
Implementation:	Implementing changes
Impact:	Developing plan for measuring impact of changes

Market Research

Consumer research, leading to customer insights, was seen as the basis of experience design and acted as one of the main drivers for innovation. Table 3 summarizes the findings with regard to the types of research conducted. In addition to traditional market research, a number of companies engaged in what can be called empathic research (Fulton Suri, 2001; Leonard and Rayport, 1997; South, 2004). Empathic research is not about knowing what customers want but about understanding customers at an emotional level. It involves finding out what they think and feel, to know how they "work." Empathic research was used to help discover customers' latent needs and to identify what makes them tick. It often involved the use of ethnographic techniques that study customers in their own environment, such as shadowing customers (Rosenthal and Capper, 2006). Other examples of empathic methods included projective techniques, for example, asking customers to describe a particular experience in drawings and diagrams and investigating extreme users.

Vignette 2 describes how Harley-Davidson conducts research to understand its customers at a personal and emotional level. Employees go riding with customers and attend rallies and events. This provides valuable opportunities for getting close to (prospective) Harley-Davidson customers and generates otherwise hard-to-get detailed customer insights that form the foundation for new products and services that improve the riding experience. In contrast to the design agencies and consultants, relatively few companies in the sample employed empathic research. This might be explained by the same unfamiliarity with the method that characterizes ethnographic research (Leonard and Rayport, 1997; Rosenthal and Capper, 2006). The results therefore provide qualified support for P2.

The experiential service providers mentioned two other methods used to collect insights about custom-

ers and the market to inform their NSD processes. First, six case study companies engaged in trend watching, or making long-range forecasts about customer behavior, needs, and preferences. This often was an ongoing process that included talking to experts in particular areas (e.g., culinary, entertainment, lifestyle), reading magazines and newspapers, and using third-party research focusing on trends. Second, five case study companies looked outside their own industry for inspiration. For example, Virgin Atlantic and Herman Miller studied luxury hotels to learn about customer service. X-Leisure was inspired by the world of theater. Walt Disney World followed developments in retail and manufacturing to see how innovations in those industries can be applied in their world. The focus on learning from others may be related to the nature of experiential services. Since an experience is made up of so many different elements, (e.g., food, transport, comfort, customer service, ambiance, process flows, entertainment, retail), a customer experience focus pushes a company to look outside its own industry. Often these elements are not related to a company's core service and expertise or that of competitors, so leading examples need to be found elsewhere. This leads to an additional proposition:

P2a: The development of experiential services benefits from learning from others.

Tools and Techniques

The experiential service providers and design agencies and consultancies employed a wide variety of tools

Vignette 2. Customer Research at Harley-Davidson

In addition to focus groups, surveys, and other more empathic research methods, Harley-Davidson gathers customer insights through riding with its customers. Employees attend events and rallies to observe customers and talk to them, both Harley-Davidson riders and non-Harley-Davidson riders, to find out what they like about the brand and what they are currently missing. People in leadership roles are required to attend at least two events a year, and other employees from all departments (e.g., marketing, finance, legal, logistics, production), whether they ride themselves, volunteer to help out at different events throughout the year, varying from an afternoon to several days. It is not uncommon for Harley-Davidson employees to go on organized multiple-day trips covering thousands of miles. From observing and talking to customers at events and during rides, Harley-Davidson gathers in-depth insights in what motivates them and what their needs are, even if they do not yet express them. These insights are fed back into the organization and form the basis for innovations in the Harley-Davidson portfolio of products and services. For Harley-Davidson, riding with customers and sharing the experience is the ultimate way of getting close to them.

and techniques in the NSD process to come up with ideas and test concepts and to create detailed designs. Among the more conventional techniques were brainstorming, experimentation, and simulation. HOK Sport Architecture, for example, used simulation software to optimize several sensory aspects of a customer experience in a sports stadium, including sight lines, sound reflection, and crowd movement. The organizations studied also employed tools or techniques that are less often employed in nonexperiential NSD (see also Table 3).

Customer Journey and Touchpoints Approach. Six of the experiential service providers and five design agencies and consultancies developed an experiential service from the perspective of the customer journey. These companies argued that an experience is built over an extended period of time and includes many touchpoints or moments of contact between the customer and the organization. Together, the touchpoints form the customer journey. The companies carefully designed the journey and the touchpoints. They paid attention to both physical journey aspects, such as getting to a service location and going away, and emotional journey aspects, including anticipation and savoring. The journey and touchpoints approach was used both to analyze current experiences to see which areas required improvement and to design new ones to ensure that all elements that were relevant from a customer's point of view were included. The design agencies and consultancies often mapped customer journeys in detail, using proprietary techniques such as Beyond Philosophy's "Moment Mapping" and Prophet's "Brand Touchpoint Wheel" (Zomerdijk & Voss, 2010). The customer journey approach can be seen as building on service blueprinting and service mapping (e.g., Kingman-Brundage, 1993; Shostack, 1984). Yet the scope of the journey perspective is broader than what is typically incorporated in blueprinting, for example, designing the emotional as well as the physical journey. Touchpoints build on "moments of truth" (Carlzon, 1987) and "clues" (Carbone and Haeckel, 1994).

Storytelling. First, storytelling was used by three design agencies and consultancies as a technique in the NSD process. They created narratives for the experiential service to be developed to communicate ideas and to create a shared vision. Narratives were used to describe, for example, the customer journey or a mock-up press release or company memo that could be sent out at the launch of the new service. Stories or narratives were considered powerful ways of making an intangible service experience more visible and tangible in the NSD process. Narrative psychology suggests that story-based communication helps people process information holistically and is highly effective for portraying and conveying experiences (Adaval and Wyer, 1998; Mattila, 2000; Padgett and Allen, 1997). Second, six experiential service providers and four design and consultancy firms argued that stories incorporated in a service by the service provider are an important part of good customer experiences. They can make an experience more compelling as stories are naturally engaging and promote word-of-mouth recommendation as good stories (as well as bad ones) will be passed on to other people. The case study companies often based their customer experience around a story. For example, every show and attraction in Walt Disney World is built around a story, such as going to the top of Mount Everest, to make the experience more engaging. In the hospitality industry, the Gorgeous Group consultancy often creates informational stories around products, such as where a dish is from or why a bottle is shaped a particular way, to strengthen the connection between customers and the brand. Pine and Gilmore (1999) promote storytelling and staging experiences using compelling themes.

Prototyping. This is a common step in most product innovation processes to test various aspects of a design, to communicate ideas or features, and to collect early user feedback. However, it is not as common in NSD as the intangible nature of services makes prototyping more difficult (Vermeulen and Van der Aa, 2003). This is even truer for prototyping experiences, as they are not only intangible but also inherently unique and personal. Still, prototyping was an integral part of design firm IDEO's design process. Prototypes were developed from quite early stages in the design process. Early on they were used to try things out ("build to think") in the same way as in a theater actors might try something out on stage to see whether and how it works. At later stages they were used to communicate ideas to an audience (see also Leonard and Rayport, 1997). IDEO argued that, particularly for designing experiences, prototypes should have physical aspects to get as close as possible to experiencing the actual experience. Looking at digital 3-D demonstrations or witnessing somebody else's experience will not give the full sensory experience

end users will have (see also Buchenau and Fulton Suri, 2000).

Metaphors. Three experiential service providers and three design agencies and consultancies employed metaphors to guide the development of experiential services and to help the people involved in the process to develop the required customer experience focus. These metaphors often related to theater or film. The drama metaphor is often used to understand services better (see, e.g., Grove, Fisk, and Bitner, 1992; Stuart and Tax, 2004). A well-known example is Walt Disney World, where visitors are consistently referred to as guests and employees as cast members. The Brand Experience Consultancy uses film making as a unifying thought: the experience that is being developed is like a film shot at multiple locations and on different sets and requiring people to work closely together. The experiences developed by Imagination were compared to theater to create an understanding of being able to delight an audience and engage an audience emotionally. This is consistent with Pine and Gilmore (1999), who claim that work is theater; it is not a metaphor but a model. They argue that companies should stage experiences by using services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event. This leads to expanding the original proposition:

P3: *Experiential service design employs tools that focus on the experiential and emotional aspects of service delivery, such as customer journey and touchpoint analysis, storytelling, and metaphors.*

Metrics and Performance Measurement

The issue of metrics and performance measurement in NSD was considered important by many of the case study companies both ex ante and ex post. Two experiential service providers and three design agencies and consultancies commented on the need for clear commercial or financial goals when developing new experiential services to justify the investment (see also Table 3). For example, several NSD projects had to be supported by a business case outlining the costs and benefits of the proposed innovation. Several case study companies argued that multiple measures should be used, especially since maximizing return on investment may not necessarily mean maximizing what is being delivered to the customer, and that

different measures should be chosen for different projects. One respondent commented that the selection of the right key performance indicators for a project was an art.

An interesting issue was whether there was a need for special metrics for an experiential service context. Several design agencies and consultancies argued that delivering experiential services does not require new or specific performance measures. As the ultimate business objectives of delivering experiential services were similar to other services, traditional measures of customer loyalty and commercial performance could be used. However, despite this it was sometimes difficult to predict the impact of experiential investments on these financial and non-financial measures (see also Valencia, 2005). To address this problem, two case study companies were actively seeking to develop tools to measure how investment in a particular touchpoint could ultimately drive more revenue.

To monitor the impact of more incremental service innovations and to identify areas for improvement, the experiential service providers extensively and continuously measured their day-to-day performance, for example, in terms of sales, footfall, and customer satisfaction. Two-thirds of the case study companies had in place an ongoing process for data collection and analysis, involving large numbers of customers and continuous measurements (the other companies measured customer satisfaction at discrete intervals, e.g., yearly). For example, cruise line Royal Caribbean distributed guest satisfaction surveys to every guest and processed the data from each cruise immediately after so that feedback reports were available to a ship's crew and the company's managers the same or the next day. However, although extensive, these measurements generally measured traditional performance aspects or at best follow-up effects of a good experience. The findings did not reveal any organization using measures that analyzed individual customer experiences in detail or that inquired about more emotional aspects. One of the design agencies commented that instruments for experience measurement are not yet available. This study provided relatively little evidence to support P4 that the development of experiential services involves metrics to assess the emotional components of the customer experience. Yet the current lack of these metrics and the clear need for measures that are appropriate for measuring experiential aspects of service as effect of particular investments, means that the proposition instead indicates an important area for future research.

Organization

Consistent with Griffin (1997b), a wide variety of organizational forms in NSD was found. Some of the observations are summarized in Table 3. Rather than one individual or department being responsible for the NSD process for the complete experience, responsibility and scope were typically distributed across the organization, with much taking place in operational departments. A number of experiential providers had departments that focused on NSD and the scope of these departments varied considerably. Walt Disney World had a small products and services planning and development department that was responsible for evolving the products and services to fulfill the customer experience. New services were generally developed by cross-functional teams, and parts of the design could be outsourced internally to Disney's imagineering division or to external design specialists. Virgin Atlantic had two departments involved in part of the NSD process: one focused on the tangible aspects of design and created the service environments at airports and onboard aircraft; the other group concentrated on the service provided by employees in these environments. Both departments were part of the marketing department. On the other hand, X-Leisure had a single individual responsible for the design of the Xscape centers, including the whole customer journey and experience, who worked closely with external design specialists. Several other case study companies outsourced much of the detailed or specialized design work in the NSD process.

Despite the existence of these various departments, one of the most striking observations was the degree to which the development and improvement of service resided in the functional areas so that the people responsible for delivering the service were also responsible for improving it. This was observed in five of the experiential service providers and has been called "silent design" (Gorb and Dumas, 1987): design that is carried out by individuals who are not called designers and would not consider themselves to be designers. Several companies made a point of avoiding distinct design departments for the intangible parts of a customer experience. They argued that such departments might lose touch with reality and do not have the same understanding of customers' needs and wishes as the people who are actually involved with delivering the service. Hence, the people responsible for delivering the product that was already available were simultaneously immersed in creating the future offerings. Heracleous, Wirtz, and Johnston (2005) found a similar pattern at Singapore Airlines, where a large part of innovation took place in distributed, functional departments.

In five of the experiential service providers the NSD process was executed by multidisciplinary project teams. Four of the design and consultancy firms also emphasized the importance of cross-functional involvement. Multidisciplinary teams were considered particularly important for experiential services, because of the number of different functions that have to work together to deliver a good customer experience (see also Brown and Eisenhardt, 1995).

Consistent with established practice in NSD (de Brentani, 1991, 2001; Schneider and Bowen, 1984; Vermeulen et al., 2005), one-third of the design agencies and consultancies often involved front-line employees in the NSD process, because of their detailed insight in the current customer experience and the opportunities for improvement. They were seen as a great source of information, and the firms emphasized the creativity that could be found inside an organization, particularly with the people involved in daily operations. At the same time, working with front-line employees was seen by the agencies and consultancies as helping to create more essential buy-in.

These results provide support for P5 that the development of experiential services requires cross-functional teams and involvement of front-line employees. Yet having dedicated design departments or cross-functional teams of operational people did not mean that creative thinking was limited to these roles. Instead, the experiential service providers emphasized that creative ideas could come from anywhere and anyone in the organization. It was by no means restricted to management levels or product development roles. Some respondents argued that having such a broad base for creativity was required to remain innovative. Although not mentioned by respondents, this can be expected to extend to ideas from outside the organization as well. This leads to an additional proposition:

P5a: The development of experiential services requires a broad base for creativity.

Discussion

This paper set out to address three research questions: What are the processes and practices used in the

development and design of experiential services? How are these processes and practices similar to or distinct from established NSD practices? How do these findings reflect on the wider area of NSD? Using case study data from nine experiential service providers and eight design and consultancy firms, five dimensions of NSD were explored. These questions are now revisited.

NSD Processes and Practices in Experiential Services

The analysis reveals an emergent picture of the characteristics of NSD in experiential services. It was found that the NSD process and practices in companies focusing on the customer experience had several characteristics in common with nonexperiential NSD, whereas other practices were more specific for experiential services.

Both experiential service providers and design agencies and consultancies put a great deal of emphasis on gathering customer insights. Although a user-centered or human-centered approach is not uncommon for other products and services, it was particularly strong for the experiential services studied. Being close to customers and obtaining deep insights was ingrained in the daily practice of virtually all case study companies, and customer insights were the main driver for NSD. Several companies conducted empathic research to understand customers at an emotional level, often employing ethnographic research techniques.

Furthermore, the experiential service providers and design agencies and consultancies used several techniques less commonly used in NSD, such as the customer journey and touchpoints approach, storytelling, prototyping, and metaphors. Overall this pattern of customer research and the tools used is consistent with the concept of empathic design (Leonard and Rayport, 1997).

With regard to the organization of the NSD process, a wide range of structures and responsibilities in the experiential service providers studied was found. In many case study companies the development and improvement of services resided in the functional areas as "silent design" (Gorb and Dumas, 1987) so that the people responsible for delivering the service were also responsible for developing it.

Many of these practices can be related to the characteristics of experiential services: intangible, inherently personal, emotional, and spanning many different touchpoints across organizational functions. As the role of the experience component becomes more important in a wider range of services, these approaches and tools will also become more important for a broader set of services. The observations from this study have been captured in seven propositions concerning NSD in experiential services, shown in Figure 1.

These propositions provide potential guidance for practitioners. However, there is a need for further study to validate them. First, there were two areas where a wider use of particular NSD practices could have been expected. One is empathic research. Although this was considered a good way to discover latent needs and other customer insights, not all companies conducted this type of research, possibly because of unfamiliarity with the method. In addition, little evidence of the detailed measurement of experiential and emotional outcomes was found. This is surprising given the objectives of experiential services. Possible explanations for this include that such measurement is difficult, that there are

P1: NSD processes in experiential services need to be both systematic and flexible.

P2: Market research for the development of experiential services requires empathic and ethnographic approaches.

P2a: The development of experiential services benefits from learning from others.

P3: Experiential service design employs tools that focus on the experiential and emotional aspects of service delivery, such as customer journey and touchpoint analysis, storytelling, and metaphors.

P4: The development of experiential services requires metrics to assess the emotional components of the customer experience.

P5: The development of experiential services requires cross-functional teams and involvement of front-line employees.

P5a: The development of experiential services requires a broad base for creativity.

Figure 1. Propositions Concerning NSD in Experiential Services

no commonly established metrics in this area, and that companies revert to established nonexperiential metrics such as customer satisfaction. This is clearly a challenge for both research and practice. A further qualification of this study's results is that in some areas, in particular the formality of the NSD process, conflicting evidence was found and that in many areas not all organizations used particular practices. To advance the field further, the exploratory findings from this study should be tested in a wider context. The propositions can be tested empirically with a larger number of experiential service providers and design and consultancy firms to develop more normative NSD practices for experiential services. As with other NSD studies, such research can focus on success and failure factors or what distinguishes top performers from the rest. In this way, NSD can strengthen the link between providing experiential services and improved financial performance.

Reflections on New Product and Service Development

The third research question was to reflect on the wider area of NSD through the study of experiential services as a subset of services. First, this study showed that a great deal of NSD in experiential services was related to the service process rather than to the service product but that in turn impacted the service product (see also Boone, 2000). For example, by incorporating many service process changes such as drive-through check-in and chauffeur services to and from the airport, Virgin Atlantic has changed the product of a luxury transatlantic flight. This study highlights the importance of process design in all services. It is also a factor that distinguishes it from product development, as process improvements generally play a smaller role in NPD in manufacturing organizations developing physical products. This has consequences for how the amount of NSD taking place is measured, the scope for innovations, and definitions of what constitutes a new service.

Second, this study clearly indicated some conflicting pressures in building a design process for services and in particular for experiential services. On one hand, there are benefits from well-structured and repeatable design processes. On the other hand, several respondents argued that there was a strong need for flexibility that would be lost in formal processes. In the design agencies and consultancy a mix of tight and loose methodologies was observed. Some firms adhered to

roadmaps, whereas others preferred a more flexible approach. The experiential service providers achieved flexibility by positioning NSD in the functional departments, consistent with the decentralized, distributed innovation found at Singapore Airlines (Heracleous et al., 2005). The Singapore Airlines innovation process was observed to be in two parts, reflecting both of the models previously described. One was a "hard," highly structured process, having a well-defined and structured innovation framework, with a number of fixed points focusing on major and usually high cost innovations. The other was a "soft," flexible, and unstructured emergent process, responsible for a large quantity of incremental innovations and allowing individuals to pursue less orthodox ideas before being fed into the formal NSD process. This raises the broader question of whether the NSD process in services is fundamentally different from that in NPD; should there be a distinct set of practices, or should reinventing the wheel be avoided (Menor et al., 2002)? More research is required to explore the occurrence and appropriateness of highly structured or less structured yet systematic NSD styles in services.

Third, this study found that NSD in experiential services has a large incremental component to it. Although the experiential service providers showed a combination of radical and incremental improvements, their way of working can be characterized by continuous refining of the current experience and continuous thinking about the next development. Unlike established thinking in NPD that a new product should come to market close to full perfection, services can be seen as "perpetual beta," requiring continuous fine-tuning and updating. One of the design agencies in this study stated that companies should step away from the traditional product-based funnel model for innovation where a large number of ideas is reduced to the last one standing and instead should adopt an idea nurturing process, going through cycles of innovation to continuously improve the service:

I think a good innovation is about the idea nurturing process. What one needs to do, is to go around the circle maybe several times. . . . Companies that innovate well get something out there that is "quite good," and then evolve it and make it into something really good. A mistake that many companies make is that you need to have a 'killer app' every time. You generally only get to know about a wonderful service innovation after it has been evolved and sorted out. (Practice lead, Service Design and Innovation, IDEO)

This illustrates that despite many similarities service design can be approached differently from product design. Such an approach will have consequences for the NSD process, for example, moving away from Stage-Gate systems that concentrate on driving new products from idea to launch faster and with fewer mistakes to processes that are more flexible, iterative, and nonlinear.

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