

Service design and operations strategy formulation in multicultural markets[☆]

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Abstract

Businesses that service multicultural customer segments face unique challenges in developing the appropriate service strategy. While the strategic implications of expanding services from a domestic market to an international location have been well documented, multicultural customer segments at one location is a unique problem that has largely been neglected by researchers. This paper attempts to fill this gap by presenting a conceptual framework and method for determining the extent of service product and process attribute standardization versus customization in these settings. The paper presents an approach for modeling the preferences of different cultural segments, evaluating the differences between the segments and determining the appropriate service strategy for service providers. We evaluate the effects of competitors adopting their revenue maximizing strategy both independently of each other and simultaneously while assuming the size of the market is viewed as a zero sum game. In an actual application at an international airport terminal, one food-service vendor implemented the suggested operations strategy and the result was a significant revenue gain over the previous year's sales during the same period. The method has valuable implications for managers when developing strategies for delivering a service to multicultural customer segments. © 2001 Elsevier Science B.V. All rights reserved.

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1. Introduction

Should Euro Disney have adapted more of its US-based policies rather than attempt to satisfy a

wide variety of European preferences? Should Il Bel-lagio, a Las Vegas luxury hotel, allocate valuable retail space to a noodle restaurant targeted towards its Asian customers or to an internationally recognizable brand like McDonalds? Why does Hilton offer a separate service concept, 'Wa No Kutsurogi' for Japanese customers within their existing hotels (Teare, 1993)? These questions reflect the strategic tradeoffs that service firms face when operating in multicultural markets. The choices between strategic alternatives have important implications for service design, i.e. new practices may need to be designed and developed. Previously, business researchers have focused on issues related to services and products expanding

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into an international location. However, we focus on the distinct concept of the multinational facility — a business that must service multicultural customer segments. This area has remained under-researched particularly from a service management perspective.

Danaher (1998) suggested that the lack of research on operations strategy for multicultural services relate to the problem of tailoring a service to different customer segments. We believe that a major component of this problem is the service managers' challenge of determining both process and product attributes for a service design. Process attributes include items such as employee interactions with customers, reliability and waiting time, for example. Product attributes cover tangible items such as employee appearance, building design, cleanliness levels, variety or choices and printed materials. Depending on the service concept and strategy, one would expect that certain service attributes should be adjusted for different cultural segments, while others have universal expectations and appeal. Many times, however, these attributes are standardized, patterned after successful domestic or international operations. The aim of this paper is to suggest an approach for determining the extent of both service product and process attribute standardization versus customization in multicultural settings. Specifically, we pose the following research questions.

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

We first discuss the previous research on service expectations and perceptions of multicultural customer segments. We then outline our conceptual framework, propositions and a method for formulating service designs and operations strategy in multicultural markets. Next, we describe how our method was applied to food-service improvements at a major US international airport. We provide the implications and rec-

ommendations for terminal management and discuss results from the implementation. Finally, we discuss the significance of our findings and draw conclusions for service design and strategy based on the study.

2. Conceptual background

Heskett's (1987) strategic service vision addresses the importance of linking marketing and operations perspectives for service design. Specifically, service designers must determine the needs and preferences of a target market and match them with the appropriate operating strategy, design and delivery system. In this section, we review research on multicultural marketing/operations issues. We consider the following in regards to markets of different cultural segments: (a) factors that influence customers' choice, (b) customer satisfaction with service experience and (c) service operations strategies. Lastly, we recognize the differences between cultural segments of service customers and we propose a method for service operations design in a multicultural environment.

2.1. Multicultural customer segments

According to Clark (1990), many marketing researchers have studied national character or cultural differences. Using his definition, national character is defined as enduring personality characteristics among the populations of particular nation states. Cross-national studies are valuable in international market settings because: (1) national differences exist and can be measured and (2) these differences have significant bearing on both consumer behavior and the strategic decision-makers in firms. While marketing research has focused largely on the standardization level of marketing strategies during globalization (Martenson, 1987; Jain, 1989; Clark, 1990), little work has addressed modifications of the service strategy for a customer group with multiple culture segments.

2.2. Service attributes and multicultural perspectives

The research by Parasuraman et al. (1985, 1988), found that customers develop service attribute expect-

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