

Services and Service Thinking

SSE2300

January 20th, 2009

Service Definitions

- Many definitions of service are available but all contain the common themes of “intangibility” and consumption at the point of creation.
- Consumer involved in helping to create the product
- Two definitions:
 - Services are deeds, processes, and performances. (Zeithaml and Bitner)
 - A service is a time-perishable, intangible experience performed for a customer acting in the role of co-producer. (James Fitzsimmons)

Distinctive Characteristics of Services

- Customer Participation in the Service Process: How does a customer get involved? Facility issues? Customer 'ownership' of the process.
- Simultaneity: Occurring/existing at the same time (e.g., opportunities for personal selling, interaction creates customer perceptions of quality).
- Perishability: Subject to decay, spoilage, or destruction (e.g., cannot inventory, opportunity loss of idle capacity, need to match supply & demand).
- Intangibility: assets are saleable though not physical (e.g., creative advertising, no patent protection, importance of reputation).
- Heterogeneity: service experiences different, diverse quality/variability – customer engagement in delivery process.

Distinguishing Services From Goods

- Inseparability of provider & consumer
 - Services are created and consumed at same time
 - Services cannot be inventoried
 - Demand fluctuations cannot be solved by inventory processes
 - Quality control cannot be achieved before consumption
- Do goods customized to a customer's demands also suggest inseparability?

Distinguishing Services From Goods

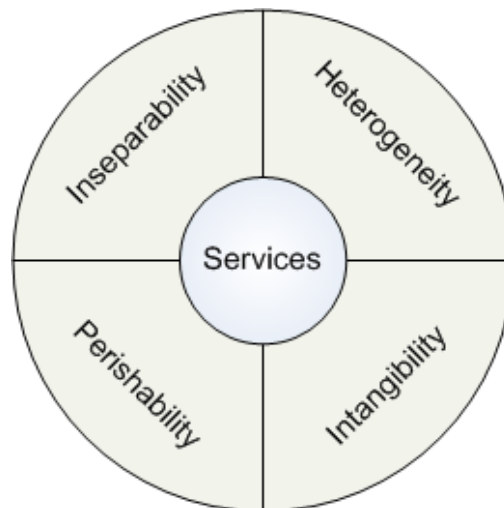
- Heterogeneity
 - Personalized services increases leads to heterogeneous nature
 - From consumer's perspective, typically a wide variation in service offerings
 - Perceived quality-of-service varies from one client to the next
- Goods manufacturer – homogeneous quality perception - - - do principles exist that we can apply to the idiosyncratic nature of service process?

Distinguishing Services From Goods

- Intangibility
 - Services often ideas and concepts – not tangible
 - Client reliance on service providers' reputation -- predictor of quality-of-service – guidance in making service choices
 - How to ensure some acceptable quality-of-service level
- Most services involve some goods.

Distinguishing Services From Goods

- Perishability
 - Service capacity that goes unused perishes
 - Services cannot be stored. Service provider loses opportunities when maximum capacity is not achieved
 - Service capability estimation and planning – key aspects for service management
- Consumers who participate in service process gain knowledge – is this part of value? Impact?

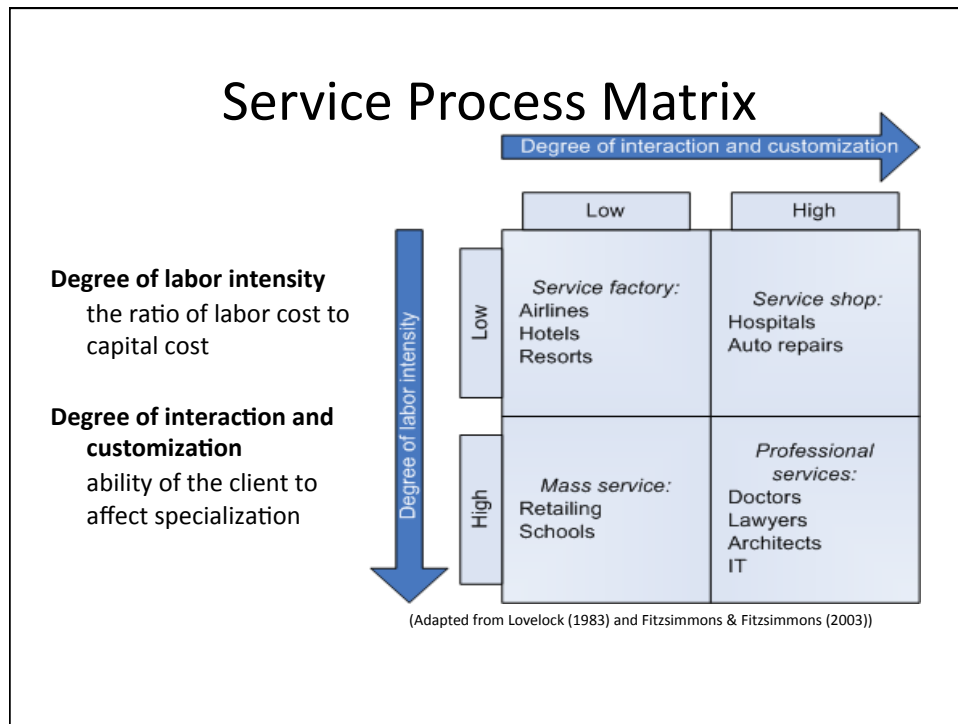


The Service Package

- **Supporting Facility:** The physical resources that must be in place before a service can be sold. Examples: golf course, ski lift, hospital, airplane.
- **Facilitating Goods:** Material consumed by buyer or items provided by the consumer. Examples: food items, legal documents, golf clubs, medical history.
- **Information:** Data processed into information that permits service to be customized. Examples: patient medical records, flight seats, customer preferences, customer location to dispatch taxi.

The Service Package (cont.)

- **Explicit Services:** Benefits readily observable by the senses. The essential or intrinsic features. Examples: quality of meal, attitude of waiter, on-time departure.
- **Implicit Services:** Psychological benefits or extrinsic features that consumer may sense only vaguely. Examples: privacy of loan office, security of a well-lit parking lot.



Service Dominant View

- Three principal notions
 - Co-creation of value – provider and consumer both participate
 - Relationships – connection between provider and consumer critical
 - Service provisioning – delivery is critical

What is Co-Production?

- Viewing services as pay for performance – value is co-produced by client and provider (IBM, 2006)
- Customers' participation in service co-production processes has increased with rapid development of self-service technologies. Customers' involvement in completion of service production and delivery processes (Xue and Harker, 2003).
- Emerging 'co-production' sector – both inside and outside public services – service users are regarded as assets, involved in support and delivery of services (Informed Change Findings, 2006).

What is Co-Creation?

- Co-Creation seems to be replacing the term Co-Production
- Definition the same??
- Although services are produced, so are goods and so there was some perceptual issues associated with term "Co-Production"
- The customer/client plays an active role in creation of the service. This is true for most services.
- What do creation and production mean in the context of tangible goods?

Provider-Client Relationship

- **Provider**
 - An entity (person, business, or institution) that undertakes activities to meet a need
 - An entity that serves
- **Client**
 - An entity (person, business, or institution) that engages the service of another
 - An entity being served
- **General relationship characteristics – The client**
 - Participates in the service process (also known as the service engagement)
 - Co-produces the value
 - The quality of service delivered depends on customers' preferences, requirements, and expectations

Current Services Thinking

- Service is a provider-client interaction that creates and delivers value while sharing risks
- Services have value that can be rented
- Services are the application of specialized competences (skills and knowledge)
- Services are autonomous, platform-independent, functions

Service Process Efficiency and Effectiveness

- Customer as co-producer
- Front and back office perspectives
- Service profit chain focus on internal and external customers
- Quality (perceptions vs. expectations)
- Focus on both efficiency and effectiveness
- Use I.T. as productivity enabler for both internal and external customers

Classifying Services

- Generally, not "black and white" – rather they fall along a continuum...
- But, extremes serve us well in an educational process
- Ways of classifying
 - Nature of the Service Act
 - Relationship with Customers
 - Customization and Judgment
 - Nature of Demand and Supply
 - Method of Service Delivery

Strategic Service Classification (Nature of the Service Act)

Direct Recipient of the Service

| | | People | Things |
|----------------------------------|---------------------------|---|--|
| | | <i>Services Directed at People's Bodies:</i> | <i>Services Directed at Goods and other Physical Possessions:</i> |
| Nature of the Service Act | Tangible Actions | Healthcare Passenger transportation Beauty salons Exercise clinics Restaurants | Freight transportation Repair and maintenance Laundry and dry cleaning Veterinary care |
| | Intangible Actions | <i>Services Directed at People's Minds:</i> Education Broadcasting Information Services Theaters Museums | <i>Services Directed at Intangible Assets:</i> Banking Legal services Accounting Securities Insurance |

Strategic Service Classification (Relationship with Customers)

Type of Relationship between Service Organization and its Customers

| | | "Membership" Relationship | No Formal Relationship |
|------------------------------|--|---------------------------------------|---|
| | | Nature of the Service Delivery | Continuous Delivery of Service |
| Discrete Transactions | Long-distance phone calls Theater series tickets Transit pass Wholesale buying club Airline frequent flyer | | Toll highway Pay phone Movie theater Public transportation Restaurant |

Strategic Service Classification (Customization and Judgment)

Extent to which Service Characteristics are Customized

| | | High | Low |
|--|------------|--|--|
| | | Extent to which Customer Contact Personnel Exercise Judgment in Meeting Individual Customer Needs | High |
| | Low | Telephone service Hotel services Retail banking Cafeteria | Public transportation Movie theater Spectator sports Institutional food service |

Strategic Service Classification (Nature of Demand and Supply)

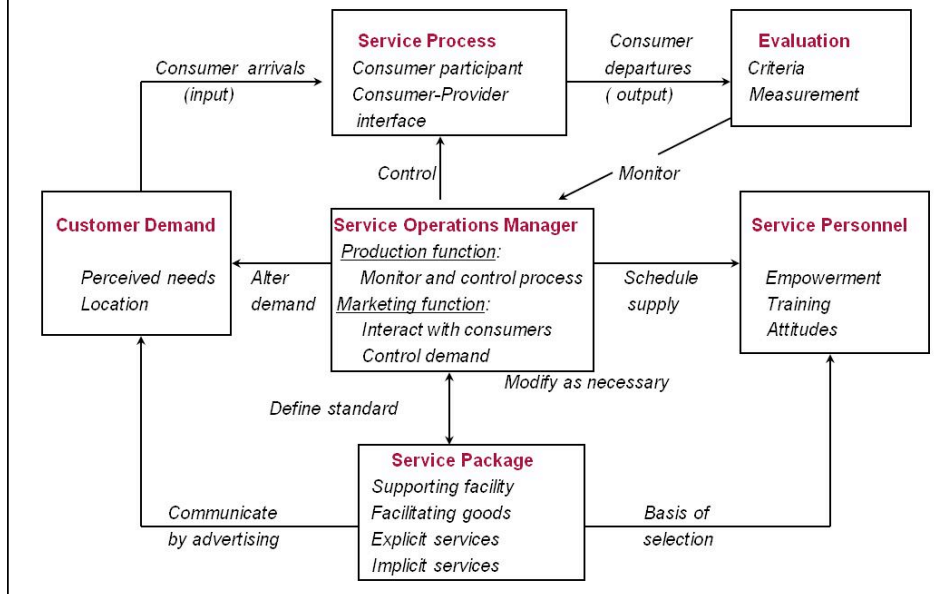
Extent of Demand Fluctuations over Time

| | | Wide | Narrow |
|--|---|--|--|
| | | Extent to which Supply is Constrained | Peak demand can usually be met without delay |
| | Peak demand regularly exceeds capacity | Tax preparation Passenger transportation Hotels and motels | Fast food restaurant Movie theater Gas station |

Strategic Service Classification (Method of Service Delivery)

| | | Availability of Service Outlets | |
|--|---|---|--|
| | | Single Site | Multiple Site |
| Nature of Interaction Between Customer and Service Organization | Customer Travels to Service Firm | Theater Barbershop | Bus service Fast food chain |
| | Service Provider Travels to Customer | Pest control service Taxi | Mail delivery AAA emergency repairs |
| | Transaction is at Arm's Length | Credit card company Local TV station | National TV network Telephone company |

Open Systems View of Service Operations



Traditional and Emerging Services Comparison

| Issue | Service Enterprises | |
|-----------------------------------|----------------------|--------------------------|
| | Traditional | Emerging |
| Co-Production | Medium | Physical |
| Labor Requirement | High | Electronic |
| Inventory Requirement | High | Low |
| Self-Service Requirement | Low | Low |
| Transaction Speed Requirement | Low | High |
| Computational Requirement | Medium | High |
| Data Sources | Multiple Homogeneous | Multiple Non-Homogeneous |
| Driver | Data-Driven | Information-Driven |
| Data Availability/ Accuracy | Poor | Rich |
| Information Availability/Accuracy | Poor | Poor |
| Size | Economies of Scale | Economies of Knowledge |
| Service Flexibility | Standard | Adaptive |
| Focus | Mass Production | Mass Customization |
| Decision Time-Frame | Predetermined | Real-Time |

Tien, J.M. and D. Berg, (2003) "A Case for Service Systems Engineering," Journal of Systems Science and Systems Engineering, 12(1), pp. 13-38.

Topics for Discussion

- What service characteristics are most appropriate for Internet applications?
- When does collecting information through service membership become an invasion of privacy?
- List some mgmt. problems associated with allowing employees to use judgment in serving customers.
- What factors are important to consider when attempting to enhance a service firm's image?
- What contributions to the management and operation of a professional service firm can an engineering graduate provide?