

Managing Services
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Lecture – 25
Position - Value Proposition – 1

Hello, this is Jayanta Chatterjee from IIT, Kanpur. We have been discussing about Managing Services and the contemporary issues. So, in this week five we can first start with a bit of a recap about our last week's discussions. So, last week if you remember we took up a major case study and this case study was of the Aravind Eye Care Hospital and how that one single hospital grew overtime into a global organization, a service model that has been emulated in a large number of countries and is globally famous for its provable approach and high quality medical care at low cost.

When we discussed about Aravind Eye Care we discussed two important points about creating service excellence, one was about the service process. We showed that how Aravind Eye Care has used different best practices from manufacturing assembly line from techniques used in industrial engineering in manufacturing and have applied those models, those principles, those best practices in creating innovative processes, which vastly reduces cost, manages the waiting time and the queue time at a minimum level and optimizes the prime time of the doctors and the experts.

So, that they can focus only on the core steps of the cataract operation or the treatment for diabetic retinopathy and so on. So, this was one major learning from Aravind about creating service business excellence by adopting good science to create good process practices. We looked at how they have used line balancing techniques, how they have used queue theory, queue management, how they have used job descriptions and job partitions and work flow, which provide on one hand, very precise and very clear ideas about the steps, the sequences.

But, yet provide autonomy some decision latitude to the frontline employees, the paramedics, the initial medical executives, who study the patient's history or who decide about the treatment route, this duality with an expanded upon and understood the diseases a key requirement for service excellence. We looked at the famous triangle, where at the three corners we have the service organization, the service employee and the

service consumer. We understood that on each vector of this triangle, we have some tension between efficiency and autonomy or between control and co-creation and so on.

And we understood that this duality is a fact of life and this duality needs to be managed, it cannot be warded away or cannot be resolved, but we need to practice it simultaneously, that on one hand we should have clear, well defined process flow. On the other hand, at each of the touch points we have to give some freedom of action, some latitude for decision making for the frontline employees.

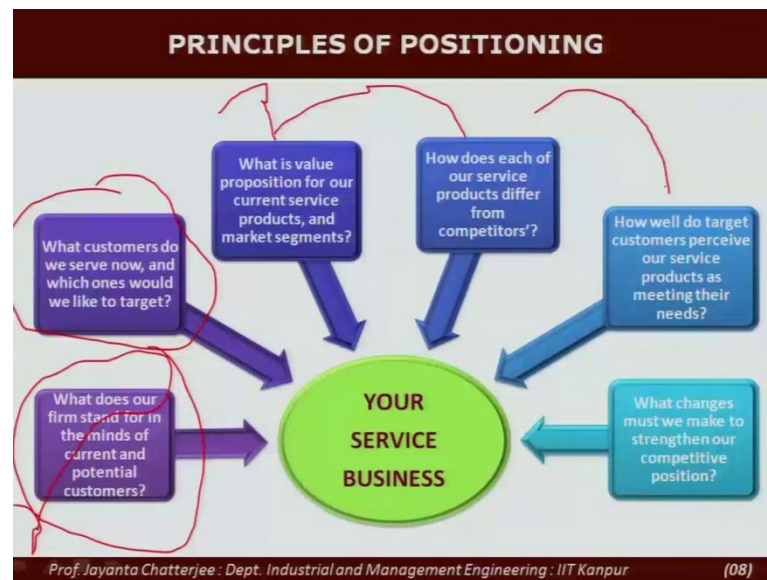
We studied the cycle of success and the cycle of failure. We understood that how the employees cycle; that means, the process flow that makes the employee's happy and successful is so closely tied to the customer cycle, where the customer satisfaction and repeat visit and referrals and customer advocacy go in a cycle, very well coupled with the employee cycle related to employee turnover, employee motivation, employee satisfaction and so on.

And we understood that to achieve this employee empowerment, we need a kind of leadership which we call the level five leadership which is so well depicted in the biography of Dr. V a great combination of strong will power with humility, humble attitude, determination and politeness, not arrogance, not the arrogance of the expert. But, almost a servant like belief in a super ordinate machine and we concluded last week that in excellent service organizations, even the frontline employees, service personnel at every level are inspired by this leadership missionary leadership.

So, that when service employees believe that they are doing something which is mission oriented, they are doing something which is beyond profit making, which is contributing to the greater good, that missionary spirit that believe in something more than ordinary business, creates. This employee empowerment and employee dedication and employee engagement, which are fundamental requirements for service excellence.

Having understood these building blocks of service excellence, this week we will start with the understanding of two progressive vectors. One is about creating the value proposition for a service business by combining those business or those building blocks that we have discussed earlier and we will discuss a very tightly related concept of positioning.

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Simply put positioning means, defining in detail, what business you are in, what is your service business all about. Obviously, it means that we have to start our definition process from the most important part of any business and that is customers. So, we first start with what does our organization stand for in the minds of the current and potential customers. So, once we define that what customers do we serve now and which ones we want to target and this is the very, it is the requirement that initially we have a very crisp definition here.

So, remember that Aravind Eye Care Hospital was very clear about their initial positioning, they were serving people at the bottom of the economic pyramid, people who could not afford the earlier style of medical services. So, customer was very clearly defined and the service was very clearly defined, cataract operation. So, what customers do we serve now and which ones would we like to target? I will come to this which ones would we like to target a little later, first we start with which customers we want to serve, this is the process of segmentation.

A customer segment should be very clearly definable, should be measurable, it should have the, as a business opportunity or as a service opportunity it should be significant, it should have growth potential and all these we saw when we in the initial part of the Aravind Eye Care description that how big is this opportunity and how they tracked the opportunity and what was required. The next thing is to very clearly defined, that what

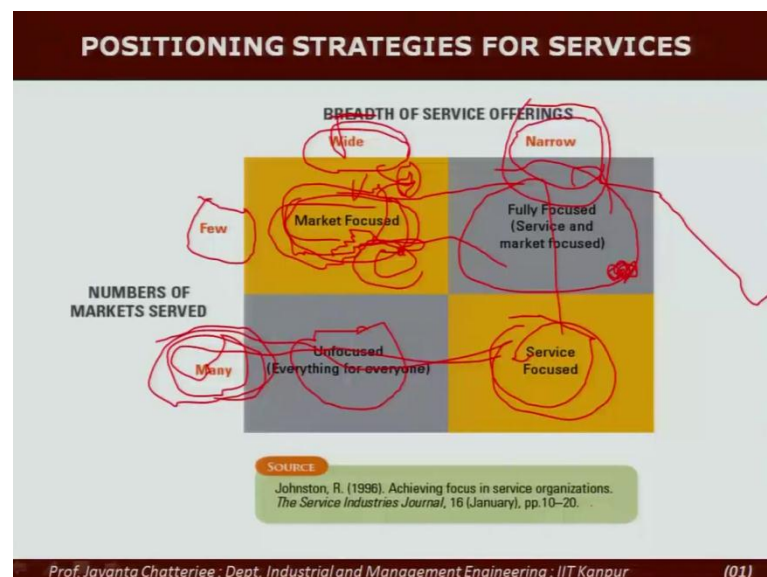
does, what is the value proposition for our current service products for this particular market segment. How each of our service products differs from the competitor?

So, Aravind value proposition was very clear that it was going to provide service at a price level which was at that point of time way lower than what was available in the market, yet their quality was in many ways superior to what was available in the market. They redefined quality, they defined quality away from the frills, maybe their patients slept on wooden chaw pies, slept on mats in high summer, maybe not all of them were in air condition rooms, unless it was medically required.

But, the operation was excellent, the treatment was excellent, the quality of lens provided was excellent. So, topmost quality for the core and the, an acceptable level of quality for the frills, so this sort of combination, this sort of definition is very clear and then how well do we target the customer, whether our services are meeting all the needs, what are the future opportunities, this you will see the way Aravind expanded from cataract operation to the other different areas of eye care, including areas like glaucoma, very complex areas.

But, they did it step by step, we studied that also that how from 1981 to 1984 how they took short small steps and then started taking longer leaps. And today they are spread over many countries, over many locations covering almost the entire range of eye care services.

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So, to understand this pathway, we can look at this particular picture here. So, we are looking at narrow service offering for a few customers, this is where Aravind started initially, this is what we call fully focused service. So, service and market focused, market is people at the bottom of the pyramid, people who cannot afford could not afford in those days, high quality medical service at a price which was significantly lower than private medical service that was available at that point of time and cataract operation.

So, it is the breadth of service offering is narrow, market is narrow. Today, Aravind has moved from there to here; that means, their market focus is clear they are still doing eye care only, they are not into coronary operations, they are not into brains surgery, they are not into orthopedics, they are not into... they are fully focused on eye care, so their market is clear. But, today they are serving a very wide range of different types of markets.

Now, there could be unfocused, this is a difficult proposition in today's world, but there are organization to try to be everything to everybody. So, a very large supermarket or department store can be an example, shoppers top when they started they were sort of market focused. But, they became kind of very widely focused and that was creating problem for them, they are now again getting back to a market focus, there can be business service business which are just focused on the service, which means they serve many markets, they serve many markets, but they are service offering is narrowly defined.

So, we have for example, Bhojohori Manna a chain of restaurant started originally in Calcutta, focused on offering Bengali traditional cuisine in a very modern ambiance, they started by opening one then two then three restaurant in Calcutta, but they are now spread over many cities in India. But, they remain focused on Bengali cuisine, but they are serving today many different locations. So, you can see therefore, you can define your business to clarify your offering position, this is principles of positioning and these classifying your service offerings are very closely connected.

So, this is what we will try to study further as we go to examples and other nuances, important point is that service excellence needs usually a position here, which is very crisp like Bhojohori Manna or Aravind Eye Care. Bhojohori Manna started with one restaurant, serving traditional Bengali restaurant in modern ambiance in one location

overtime they move here; that means, the service remains the same, but they can serve many markets or like Aravind Eye Care the move can be from here to here, which means you provide a wide ranges of services.

But, remain focused on the market characteristics, but if you widen the market characteristics and widen the number of services offered, in today's condition what we called earlier unfocused or everything for everyone is a kind of service business, not very tenable in emerging markets. And for that matter in most places, many such businesses which are very large stores, like wall mart and others they have to redefine in many ways, they have redefine their business in many ways overtime. But, it is doubtful that whether today if you are as service entrepreneur, you can start with that sort off huge big band.

So, most probably you will start as a fully focused service and market focused business and then you can either move here, where you are still market focused, but you are providing a wide range of services or you can be very focused on your service, but you can serve a wide different market areas. So, either expand on range of services, expand your portfolio of services or remain focused on a type of service, range of service, but crisply defined market eye care or serve many markets Bangalore, Calcutta, Delhi, Bombay and so on, but have one offering high class traditional Bengali cuisine.

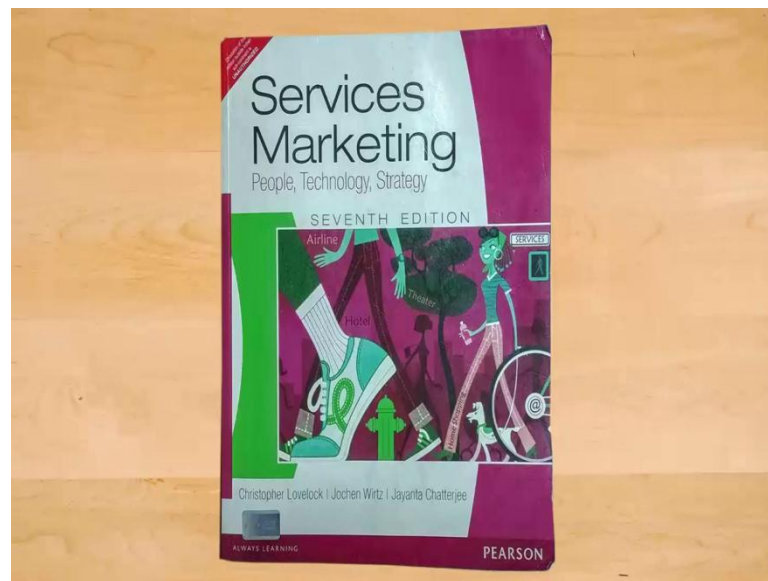
So, this is something you have to understand well this four quadrants look at different types of examples around you and then get to this diagram and try to define your business that who are you serving, what are you serving, why are you different from others, why will anybody buy this service number one, why will they buy from you and why will they continue to buy from you, this three fundamental questions why will anybody buy this service, why will they buy from you and why will they continue to buy from you, this three fundamental questions can; however, we further expanded into this six blocks that are in front of you, where we have added the dimensions of who are these customers, who are the customers today and who are the customers may be tomorrow.

And I would like you to this is the small assignment which will have to post on the forum. So, you choose first from these four quadrants a position having chosen a position then you go to this diagram and define it could be a business which is similar to an existing business or it could be a new idea that you want to promote some innovation

that is now bubbling in your mind after these four weeks of interaction, either way you have to use these two diagrams and crisply define and post.

What is your service business? Who are you serving? Who are you serving today? Whom will you serve tomorrow? How is your service different from competitive services? How will you reach them? Fundamentally in any marketing book you can also look at segmentation, targeting and positioning.

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And in your text book, you can refer to this text book of by written by Lovelock and Wirtz and myself, services marketing, people technology strategy, 7'th edition, published by Pearson India and this assignment for this you should refer to chapter 3 and chapter 4. Chapter 4 we have discussed earlier, chapter 3 some of the key points we have discussed today and then you should be able to do this assignment.

Thank you.