

Managing Services
Prof. Jayanta Chatterjee
Department of Industrial Management and Engineering
Indian Institute of Technology, Kanpur

Lecture - 48
Services as Systems: A Holistic Approach

Hello, this is Jayanta Chatterjee from IIT Kanpur, for last 8 weeks we have been interacting on Managing Services and the contemporary issues in today's world, where all businesses are more and more driven by the service logic. In the last lecture of this 8th week, I am going to attempt to do three things. First of all, I am going to discuss with you, the topic of Services as Systems with a Holistic Approach.

And I am going to look at two types of services or two types of service businesses, one which is an incumbent business; that means that is a business, which is already in service and has a certain market position. And I am also going to discuss about a new service business and in both cases, I am going to discuss, how one can take a holistic approach, a systems approach to managing the services business.

(Refer Slide Time: 01:46)

The slide is titled "STRATEGIC SERVICE VISION" in a dark red header. Below the header, the text "Service Market Segments" is centered. A list of three questions is presented with red arrows pointing to them:

- What are the characteristics of important market segments?
- What needs does each segment have?
- How well are these needs being served, in what manner, by whom?

Handwritten in red ink on the right side of the slide is "STEP Strategic Value Proposition". A red circle is drawn around the word "STEP". At the bottom right of the slide, the initials "Jc" are written. The footer of the slide contains the text "Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur" and "(01)".

Now, if we take an existing company, a company which is already in the service business and is doing a strategic audit and assessment of where they are and where they can go, which are the different options available to them and how to evaluate those options. In individual sections with respect to people, with respect to process, with respect to

technology, with respect to positioning, we have discussed this vary issue again and again. But, today we are trying to put it all together and I also want to at the same time, give you some direction that how each one of these topics relate to chapters in the text book.

(Refer Slide Time: 02:46)



Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur

(01)

As you remember, this is your text book, Services Marketing published by Pearson, written by me and two of my co-authors, Professor Lovelock and Professor Wirtz we have been referring to the 7th edition, which is currently available. And I would encourage all of you who have attended even some of the sessions, if not all the sessions to register for the examination. Because I think you can now go back to some of the lectures, you have that option and you can refer to the text book with the help of today's discussion, you will know that how to go through the book in what sequence and you will find the examination quite easy to tackle.

The examination will mostly have some multiple choice questions and some questions demanding short answers. And I am quite sure from the quality of the various submissions that I have reviewed, which are already available on the forum that most of you will do quite well at the exam.

So, best of luck and let us review then in the context of strategic service vision. These points that, what are the characteristics of important market segments. So, you remember

we had lot of discussion on segmentation, targeting and positioning or creating the strategic value proposition, which is a better way to look at this positioning the service.

So, to answer these questions for an incumbent service, that what are the characteristics of the addressed market segments, what needs are special to those market segments, how are those needs being met today and how they can be served better, how those market segments can be served better? These fundamental questions, you should read chapter 1 and chapter 2 to get it better depth, go through many of the examples which are discussed in the book, to supplement the discussions that we have already had in the early part in week 1 and week 3.

(Refer Slide Time: 05:42)

STRATEGIC SERVICE VISION

Service Concept

- What are important elements of the service to be provided, stated in terms of results produced for customers and challenges for the employees?
- Service Logic --the dominant concept for all businesses.
- What efforts does this suggest in terms of improvements in the manner in which the service is designed, delivered, marketed?

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (02)

Service concept, so we could have started with this the service concept, but as you know, we have always been propagating in this particular course that start with the customer. That is why we actually talked about the customer segment served and served with what kind of strategic value proposition and what can be done better. The next question that will emerge out of that therefore, what is the service concept, that is being offered.

So, the service concept and particularly the importance of access, convenience, customer delight, the excellence at touch points, understanding the touch points can also be failure points as well as can be very important recovery points. How failures can be converted into an opportunity for developing relationship and that is the reason, why those touch

points and that occasions of customer coming in touch with the front face of the service business as moments of truth.

Now, all of these issues are relating to that, what are the important elements of the service that are to be provided that are being provided stated in terms of the results? Because, if you remember, we had started by saying that nobody is interested to buy a product or service, customers are looking for meeting a need, resolving a problem. So, this in terms of the results, if the service is, service elements are viewed, remember that flower of service which we have talked about to understand the architecture of the service.

The core and the petals and we had also discussed that the results for customers are intricately linked to the challenges for the employees. We had discussed a specific problems of front line service employees like emotional labor, like the borderlessness of service or like the multiplicity of demands, the role and the script that are developed in response, all of those.

So, chapter 2, 3 and 4 will be also then related to these questions. In addition to the discussions in the book, we had an extensive discussion here on service logic; that is the dominant concept for all businesses today. And then, we had also discussed using the queues from chapter 2, 3 and 4 that what efforts are therefore needed for improvement in which the service is designed, delivered and marketed. So, these two slides therefore take us from chapter 1 to chapter 4.

(Refer Slide Time: 09:30)

STRATEGIC SERVICE VISION

Operating Strategy

- Design of the services business: operations, financing, marketing, organization, human resources, control? *New Service Development*
- Comparative resource allocation? *5, 8 & 9*
- What results will be expected versus competition in terms of, quality of service, cost profile, productivity, morale/loyalty of servers? *cost*

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (03)

We then we can look at the focus on service operations, that is the process, the delivery, the people in interaction, the service environment and all of those issues. So, therefore, we had briefly discussed and I will discuss at the end of this session, while discussing the operating strategies, I did discuss about new service development. But, I will talk about it again today.

At this moment, if you look at only incumbent service businesses, operating service businesses, then in the... Under this section covered by chapters 5, 8 and 9, we have been looking at the synergy between the organizations capability, service capability and the market opportunity, out of which is designed of the service business, decided with respect to operations, structure, human resources, control.

Obviously, in operating strategy we have to decide the comparative resource allocation and in this respect, we had discussed number of ways we can decide upon the priorities for resource allocation. We had also discussed the role of the competition, we did not discuss a competitor action and reaction driven strategy. We had taken more strategy driven by the quality of service, relentless lowering of cost, productivity and those issues.

So, the game theoretic perspective of managing service businesses, where we look at competitors actions and strategic responses that can be given by your service business. This game theoretic approach was not discussed in depth, perhaps in a future advanced

course, we will look at these and other more data driven, analytics driven service business strategies.

(Refer Slide Time: 12:32)

STRATEGIC SERVICE VISION

Service Delivery System

- What are important features of the service delivery system including: role of people, technology, environment, process, procedures?
- Demand Vs Capacity issues!
- Quality standards, differentiating the service from competition, barriers to entry by competitors.
- Relationship and Advocacy by co-opting the customer.

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (04)

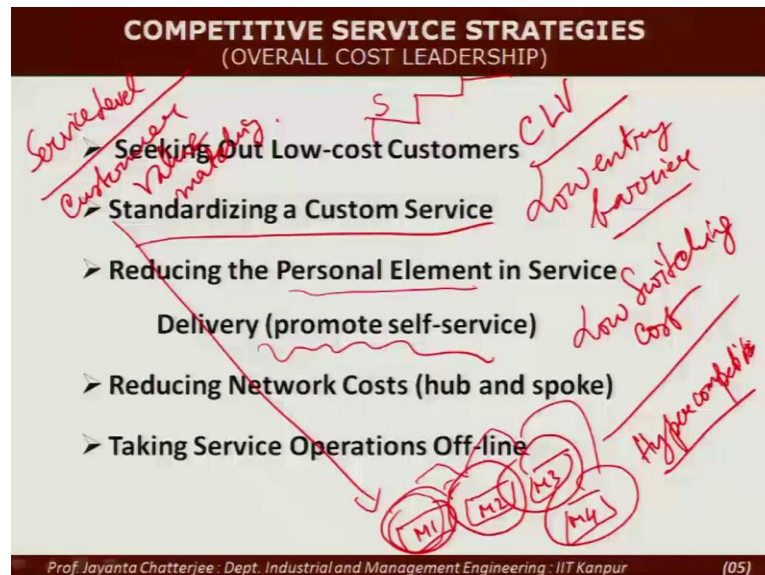
We spent a lot of time on service delivery system in terms of both process and process people interaction. We discussed about the important features not only with respect to role of people and that interaction, but also technology and how people process and technology firm a certain kind of Trica, which are interactively creating new different types of service improvements as well as creating new services altogether.

We discussed some of those examples in the previous session, we discussed a lot about demand versus capacity issues and how this big challenge in the service business; that means, indeterminate or often unpredictable demand and the service capacity and operation strategies to meet that variability. Remember, that our discussion on variable pricing, yield management and I would recommend that chapter 8th and 9 be reviewed to get a better understanding of what we have discussed and in the sessions and what are the supplementary points.

So, combine the session discussions with the chapter 8 and 9 to get a good, in depth understanding of these issues like relationship and advocacy that can arise by co-opting the customer at both the input end of the service process as well as the output end. We had a specific discussion on service design and how customers can be co-opted in the beginning of the value chain as well as the end of the value chain and can how those co-

options can actually complete the loop. So, remember that discussion based on the models proposed by Professor Prahalathan Ramaswamy.

(Refer Slide Time: 15:51)



We had discussed a lot about the problems with respect to low entry barrier in service business or low switching cost due to hyper competition. And therefore, we had discussed a lot about customer's life time value and understanding customers of different cost levels, so that we can match different service levels. So, service level and customer value matching, we have discussed the problems relating to standardizing service due to those characteristics of service like the intangibility and heterogeneity and so on.

But, we had also discussed the response strategy, where we create standard modules, so module 1, module 2, module 3, module 4 and how these modules of standards can be combined and recombined to respond to different types of variability. One of the strategies that we discussed a little bit more in detail is this self service or technology assisted service enhancement.

And we had discussed that these modules being available, the combination of these modules can be done often through different types of automation to reduce the personal element or personnel element in the service delivery. But, we had highlighted however, that there are number of different services, where automation can be quite beneficial, but there are number of other types of services, where automation may actually be counterproductive.

So, chapter 10 and 11 will be relevant for these competitive strategies that relate to overall cost leadership as well as the service strategy relating to differentiation.

(Refer Slide Time: 19:09)

COMPETITIVE SERVICE STRATEGIES
(DIFFERENTIATION)

- Making the Intangible Tangible (memorable)
- Customizing the Standard Product
- Reducing Perceived Risk
- Giving Attention to Personnel Training
- Controlling Quality

Mass customization on demand

Assurance Reliability

Note: Differentiation in service means being unique in brand image, technology use, features, or reputation for customer service.

Prof. Jayanta Chatterjee · Dept. Industrial and Management Engineering · IIT Kanpur (06)

In the differentiation driven service strategy; obviously creating memorable tangible occasions are very important, different ways of customizing the standard service. So, we had discussed about this mass customization on demand, which is a good example of that or all these fast food joints, how they have standard blocks. And like whether French fries or burgers or pizzas or which are almost available on semi prepared at semi prepared level and they can be combined and lot of things can be added like as a topping or as a sauce or as an ingredient, creating different service alternatives.

We did not discuss about in differentiation driven strategies, the importance of personnel training and creating the confidence or projecting the confidence, creating the perception of solidity and dependability. So, that quality projection based on assurance, projection of reliability creates this uniqueness of the brand image, service brand.

(Refer Slide Time: 21:17)

COMPETITIVE SERVICE STRATEGIES (FOCUS)

- Buyer Group: (e.g. Jal Vayuu Sena Vihar)
- Service Offered: (e.g. Arvind Eye Care)
- Geographic Region: (e.g. Delhi Metro, Mother Dairy)

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (07)

So, we discussed about the focus strategy also how the focus strategy be done on the basis of the buyer group or service offered like Arvind Eye Care or geographic based focus like Delhi Metro or Mother Dairy or a buyer group based service focus like say service for creating residential blocks and services for Jal Vayuu Sena.

(Refer Slide Time: 21:51)

CUSTOMER CRITERIA FOR SELECTING A SERVICE PROVIDER

➤ Availability	(24 hour ATM)	12/13/14
➤ Convenience	(Site location)	
➤ Dependability	(On-time performance)	
➤ Personalization	(Know customer's name)	
➤ Price	(Quality surrogate)	
➤ Quality	(Perceptions important)	
➤ Reputation	(Word-of-mouth)	
➤ Safety	(Customer well-being)	
➤ Speed	(Fast or Slow Food)	TE ARR

Handwritten notes: "Elasticity", "IHIP", "Word of mouth", "Fast or Slow Food", "TE ARR" (circled), "12/13/14" (circled).

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (08)

The air force and the Navy people, we discussed about the, what leads to customer preferences in spite of the IHIP, IHIP or rather arising out of this nature service, we had discussed how these emerge as customers preference criteria for services. In this respect,

I would like to talk about when we talk about price, please do read about a little bit more in detail about the elasticity, price elasticity, the concept of price elasticity.

And variable pricing yield management topics that we had discussed in detail and also available in the book chapter 12, 13 and 14, so each one of these, the importance of availability and convenience dependability, which is also related to the serv qual five dimensions of tangibility, empathy, assurance, reliability and response level. So, price and quality should be seen together, in fact, quality and reputation are quite connected this also we had discussed and so on.

(Refer Slide Time: 23:36)

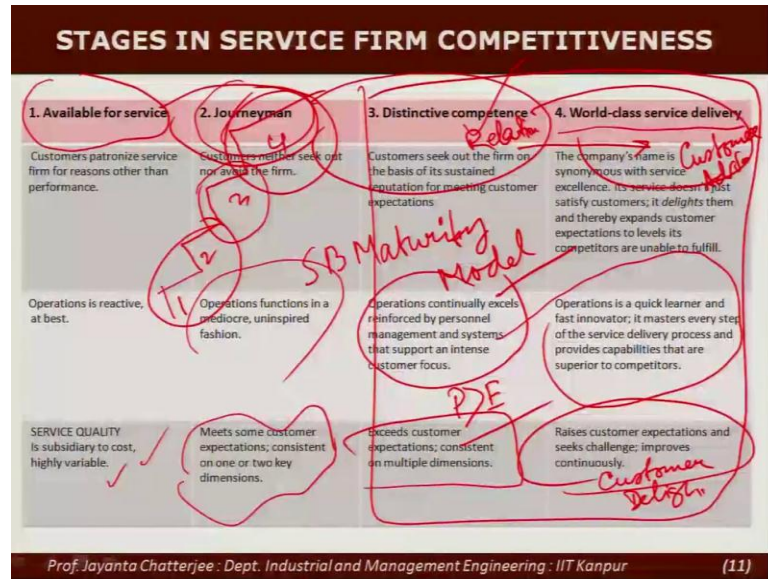
SERVICE PURCHASE DECISION

- **Service Qualifier:** To be taken seriously a certain level must be attained on the competitive dimension, as defined by other market players. Examples are cleanliness for a fast food restaurant or safe aircraft for an airline.
- **Service Winner:** The competitive dimension used to make the final choice among competitors. Example often is price.

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (09)

So, in the service qualifier or in the discussion of service quality chapter 12, 13 and 14, I would also particularly request you to read the wheel of loyalty. This topic wheel of loyalty and that interesting diagram; that is presented in the book and we also showed it during our session in the book, it is from page 354 to 362. In many ways, this particular diagram captures the key messages of this course on the best practices for managing services and the kind of services that will win.

(Refer Slide Time: 24:43)



The concluding part of today's presentation will be this is an interesting research from 1991, but very, very valid even today after almost 25 years. This is the research paper by Chase and Hays published in the fall 1991 issue of Sloan management review, where they had looked at this four stage of, so this is the you can say service business maturity model. So, at the lowest level and it should be seen as this 1, 2, 3, 4, this should be seen as an ascending journey 1, 2, 3, 4.

So, at the lowest level, where service business is at just available for service, customers patronize the service, because they have no alternative like the canteen at a student hall; because that is the only canteen; that is available in the vicinity. So, because of that convenience, high convenience factor customers may patronize that service not because their service is great.

So, here operation is often found to be quite reactive and service quality is dominated by cost and service quality can be quite variable, there is no predictability here. The next level is what is being called by Chase and Hays as journey man, where customers are sort of ambivalent towards this kind of service businesses. Here, the operation is mediocre, there is nothing very inspiring, they meet some customer expectation and then, may be good in one or two dimensions.

Really in this course, everything that we have discussed is for the journey towards this 3rd and 4th level to develop distinctive competence, where customers will seek out the

service company. Because, of some sustained reputation that they have built up through those TEARR elements to create a record of customer satisfaction, receiving customer referral.

And we had also discussed that in the next level, this is the level, which is world class service delivery called by chase and hays and we have called it customer advocacy level. So, from I would say this is the relationship level and this is the customer advocacy level. So, from these transactional levels, this course has always talked about how to rise to this level, where the operations continually excel, it is reinforced by personnel management and system that support an intense customer focus.

And from there, it goes to the operation is almost self learning and self innovative, so the people at the front end with the kind of structure freedom encouragement for innovation, they create new moments of high satisfaction at that touch points. So, the moments of truth becomes, they become moments of excellence. So, in this obviously we are trying to have our post consumption perception much better than customer expectation. This is where we produce customer delight and improve continuously.

(Refer Slide Time: 29:20)

STAGES IN SERVICE FIRM COMPETITIVENESS			
1. Available for service	2. Journeyman	3. Distinctive competence	4. World-class service delivery
BACK OFFICE Cooking room.	Contributes to service, plays an important role in the total service, is given attention, but is still a separate role.	Is equally valued with front office; plays integral role.	Is proactive, develops its own capabilities, and generates opportunities.
CUSTOMER Unspecified, to be satisfied at minimum cost.	A market segment whose basic needs are understood.	A collection of individuals whose variation in needs is understood.	A source of stimulation, ideas, and opportunity.
INTRODUCTION OF NEW TECHNOLOGY When necessary for survival, under duress	When justified by cost savings.	When promises to enhance service.	Source of first-mover advantages, creating ability to do things your competitors can't do.
WORKFORCE Negative constraint.	Efficient resource; disciplined; follows procedures.	Permitted to select among alternative procedures.	Innovative; creates procedures.
FRONT-LINE MANAGEMENT Controls workers.	Controls the process.	Listens to customers; coaches and facilitates workers; works to enhance their career.	Is listened to as a source of new ideas; mentors.

Operational excellence is the best model

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (12)

In the same way, we can these are all relating to the front sight or you can say customer facing side. But, similarly in these as we had discussed in service business per excellence that servuction model is very important. The seamless connectivity and the same level of

excellence at the front stage must be complimented by that same level of excellence at the back stage.

So, back office becomes as valued as the front office, it plays an integral role often operations actually drive the excellence at the front level. So, that is why, if you remember we had discussed that in service business often operational excellence is the best marketing. So, whether it is the workforce for the negative constraint going to efficient resource, they become they innovative creation fountain at.

In introduction of new technology in these the 3rd and 4th level, you see a proactive approach rather than a reactive approach to technology. So, technology is not thrust upon these organizations competitive pressure, but they create new service levels by adopting technology add of the competition. So, you see that in good banks, you see that in good food and beverage outlets, you see that in good health care services and so on.

So, right from the front touch point to the top management level, we see therefore, this journey from just being available for service to the world class service, growing through the process of loyalty and relationship building to the level of customer advocacy. Now, I will take you may be 5 extra minutes to discuss with you we have discussed these points separately, but I will quickly go through five step process for creating a new excellent service business.

(Refer Slide Time: 32:14)

The slide is titled "FRAME YOUR SERVICE DESIGN CHALLENGE" in white text on a dark red background. Below the title is a form with a light grey background and a dark red border. The form contains the following text and instructions:

What is the problem you're trying to solve?

1) Take a stab at framing it as a design question.

2) Now state the ultimate impact you're trying to have.

3) What are some possible solutions to your problem?
Think broadly it's fine to start a project with a hunch or two, but make sure you allow for surprising outcomes.

4) Finally, write down some of the context and constraints that you're facing.
They could be geographic, technological, time based, or have to do with the population you're trying to reach.

5) Does your original question need a tweak? Try to again.

The form is heavily annotated with red handwritten scribbles and circles. On the right side, there are two large circles, one containing the text "Context Space" and the other containing "Solution Space". There are also several smaller circles and lines connecting different parts of the form.

At the bottom of the slide, there is a dark red footer with white text: "Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur" on the left and "(13)" on the right.

So, first start with what is the pain that you are trying to address, what is the customer pain that you are trying to address, what is the problem that you are trying to solve. So, start with the customer, voice of the customer, study at the customer, empathy for the customer. So, create an empathy map and so instead of creating a service and then, looking at the customer, look from customer perspective, so look from customers perspective, what is needed, what sort of service is needed.

So, start from this end map with empathy the customer pain and what resolution you can provide and in trying to frame this design question, designing this new service, you can also try to visualize the impact that you are trying to have. At this stage, you can have some number of solutions, but try to write the solutions and the corresponding contexts. So, solution space, where there can be 1, 2, 3 alternatives and match that with the context space, when you do this, you may have to revisit your original question.

(Refer Slide Time: 34:08)

CREATE HOW MIGHT WE QUESTION

➤ Turn Your Insights Into What If Questions

Insight: _____
What if: _____

Insight: _____
What if: _____

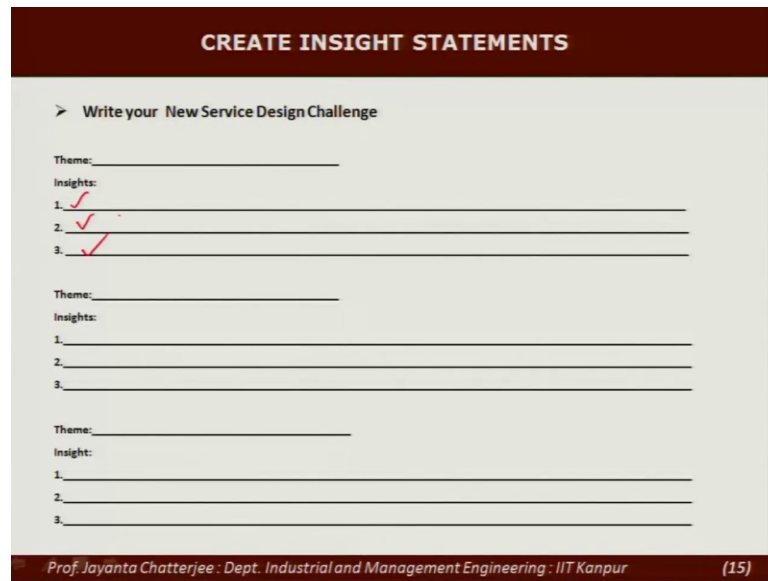
Insight: _____
What if: _____

Handwritten red text: "What is" with an arrow pointing to "What if"

Prof. Jayanta Chatterjee - Dept. Industrial and Management Engineering - IIT Kanpur (14)

From this exercise, which is starting with empathy for the customer and empathetic probe into the customers problem visualizing the solve possible solutions, the context for each possible solution, then select at the most three insights really based on what if. So, we are trying to first understand, what is the customer problem, what is the customer e pain.

(Refer Slide Time: 35:05)



CREATE INSIGHT STATEMENTS

> Write your New Service Design Challenge

Theme: _____

Insights:

1. ✓ _____

2. ✓ _____

3. ✓ _____

Theme: _____

Insights:

1. _____

2. _____

3. _____

Theme: _____

Insight:

1. _____

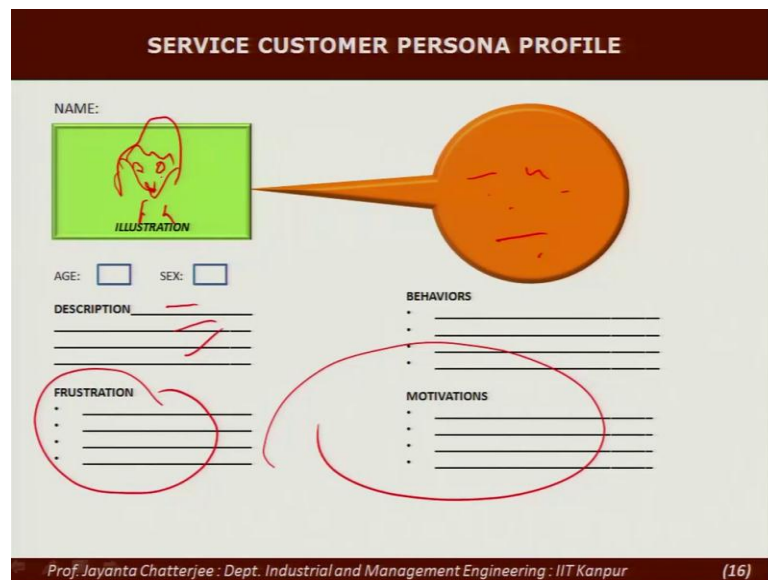
2. _____

3. _____

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (15)


And then here, we ask what if, from these, what ifs we can then develop may be three themes of solutions, three themes of service business design, three themes of service value proposition, which we can describe in maximum three sentences.

(Refer Slide Time: 35:26)



SERVICE CUSTOMER PERSONA PROFILE

NAME: _____

ILLUSTRATION: 

AGE: SEX:

DESCRIPTION: _____

BEHAVIORS: _____

FRUSTRATION: _____

MOTIVATIONS: _____

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (16)

And then, we can put it together by first creating a persona of the customer, we are trying to target. So, do not think of customers at this stage numbers as percentages as age groups not in terms of numbers, give a face, draw a sketch, draw a sketch of that

customer, understand that what is the need of this young teenager girl and have some description of the person, understand the frustration and your motivation for service.

This is an interesting way of also suggested by many design gurus is that design way of thinking application, let us just write a small blurb, you know one or two sentence 3 of 5 words, which will be typical for this customer persona that you are trying to develop.

(Refer Slide Time: 36:37)

CREATE NEW SERVICE PITCH

Succinctly, what is your SVP ?

Who do you need to pitch to?

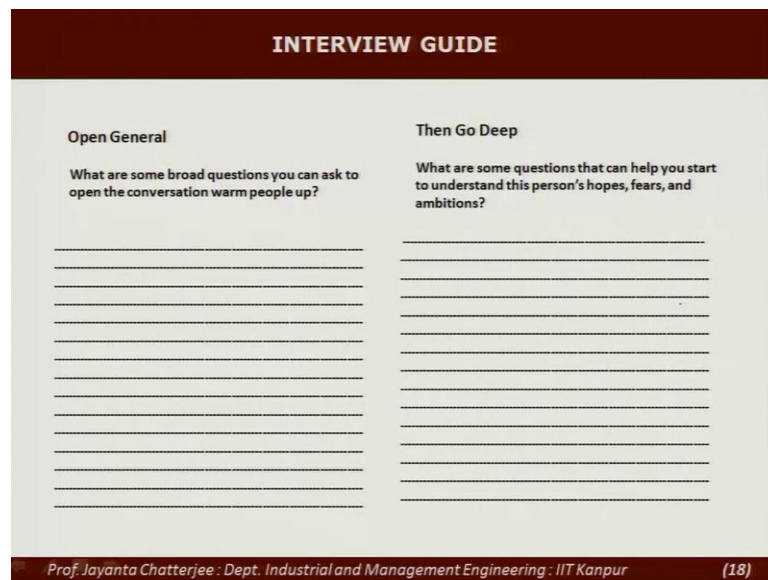
What format(s) will your pitch take?

What's your pitch? As you write it, think about how you'll expand it into a larger one.

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (17)

This is actually giving a whole view to your target customer. So, you have created therefore three alternative themes of the new service business, you have given a shape and personality to your target customer. Now, you can say, this is the customer and for this customer, I have this bunch of value proposition.

(Refer Slide Time: 37:11)



INTERVIEW GUIDE

Open General
What are some broad questions you can ask to open the conversation warm people up?

.....
.....
.....
.....
.....
.....
.....
.....
.....

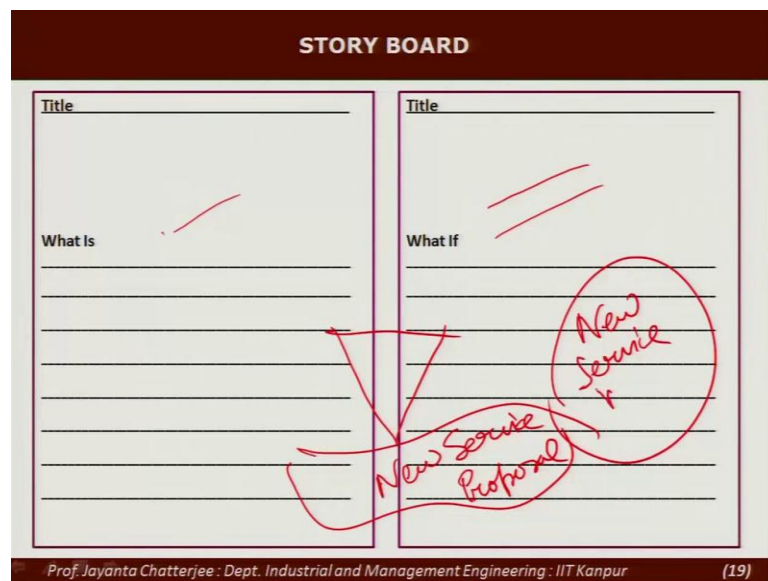
Then Go Deep
What are some questions that can help you start to understand this person's hopes, fears, and ambitions?

.....
.....
.....
.....
.....
.....
.....
.....
.....

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (18)

And then of course, you can do some further interviews.

(Refer Slide Time: 37:21)



STORY BOARD

Title

What Is /

What If //

New Service Proposal

New Service

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (19)

And then, develop a story board that what is today and what if and resulting into the new service proposal or new service design. So, this is a little 5 minutes add on to service business management and perhaps, this whole approach of design thinking and its application to new products, new service, new business development, new venture creation will be another course, where we will meet again.

I hope you enjoyed this course as much as I enjoyed and hope to see many of you registered for the examination and enjoy good luck.

Thank you.