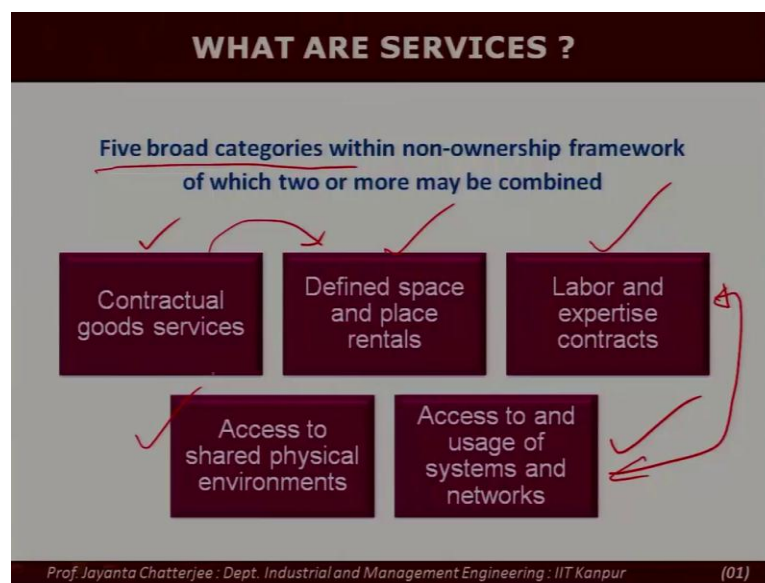


Managing Services
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Lecture – 07
Service Management Elements

Hello, I am Jayanta Chatterjee from IIT, Kanpur and we are discussing Managing Services and the contemporary issues in service business as well as in the area of all businesses in general with the logic of service dominant operations. This is our week number 2 and our first module in this week is about Services Management, the Elements of Services Management. But, before I get one to today's topic, I will do a little recap of what are the main points that we discussed during the last week.

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And some of you have asked for some clarification and I am going to provide that as well. Last week, mainly we took an overview of the whole domain of services business and in an edition; we also looked at the service logic, which today is an applicable logic or an applicable business philosophy or creating new business models in general across the world.

But, to understand that what are services, we shifted from the kind of original or classical definition of service, where service was considered somewhat often inferior class of goods which was transient in nature or perishable to the modern paradigm, where we

look at service as a preferred way of doing business, focusing on solutions rather than transfer of ownership of goods.

And this non transfer of ownership oriented approach to define services produce five broad categories with in this frame work and any two or more of these can be combined to create different kinds of services. This is a very versatile frame work, with these five blocks and you can see that how we can conceive new services as well as understand existing services in terms of these five blocks. For example, say the contractual goods and services.

So, courier services or services like third party logistics or piped gas service to your apartment and electricity supply, all these are example of contractual goods and services, where contractually either a combination of goods and services may be available to you or it can be just service or it can be just goods and this is one block. The second block is defined space and place rentals, very easy to understand renting of an apartment, renting of a whole building, renting of a factory, premises or your, renting of your hotel room, all these are examples of defined space and place rentals.

Again as you can see with in this frame work, we can combine this and therefore, this can be kind of an out sourced manufacturing facility taken on rent including certain contractual conditions for supply of certain types of goods or processing of certain kind of components and so on. Then, labor and expertise contracts highly, a high growth industry area in the context of our country, for example, all these software out sourcing, different kind of knowledge service out sourcing and so on. So, that is what we called labor and expertise contract.

So, there can be an organization which is operating in the hot of Europe, but their knowledge work or their processing of their various kinds of background information may be done in Gurgaon or in Bangalore in India or could be done in Philippines or in Sri Lanka. So, these are labor and expertise contracts and these can be physically provided by people going elsewhere through people or it could be combined with this block with this access to and usage of systems and networks.

So, therefore, this is like our mobile phone service or internet service and if you combine this block and this block, you can create a new class of service which is remote delivery of a knowledge work or remote delivery of software service or remote delivery of

internet based, cloud based data processing, data warehousing, data analytic services. So, there are different kinds of new services which can be understood in terms of these five blocks or these five blocks can help us to generate new service business ideas and models.

And access to share physical environment, this is like membership of a swimming club or gym or spa or various kinds of health care facilities can be understood in this. So, these five blocks mainly provide us an alternative way of looking at services rather than looking at it in a traditional way as a set of inferior class of goods, which are intangible and perishable and heterogeneity and in separable, etcetera. These topics of course, we will discuss more in detail, these characteristics of services we will discuss more in detail during this week, the second week.

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4 CATEGORIES OF SERVICES		
Who or What is the Direct Recipient of the Service?		
Nature of the Service Act	People	Possessions
Tangible Actions	People-processing (services directed at people's bodies): <ul style="list-style-type: none"> • Barbers • Health care 	Possession-processing (services directed at physical possessions): <ul style="list-style-type: none"> • Refueling • Disposal / recycling
Intangible Actions	Mental stimulus processing (services directed at people's mind): <ul style="list-style-type: none"> • Education • Advertising / PR 	Information processing (services directed at intangible assets): <ul style="list-style-type: none"> • Accounting • Banking

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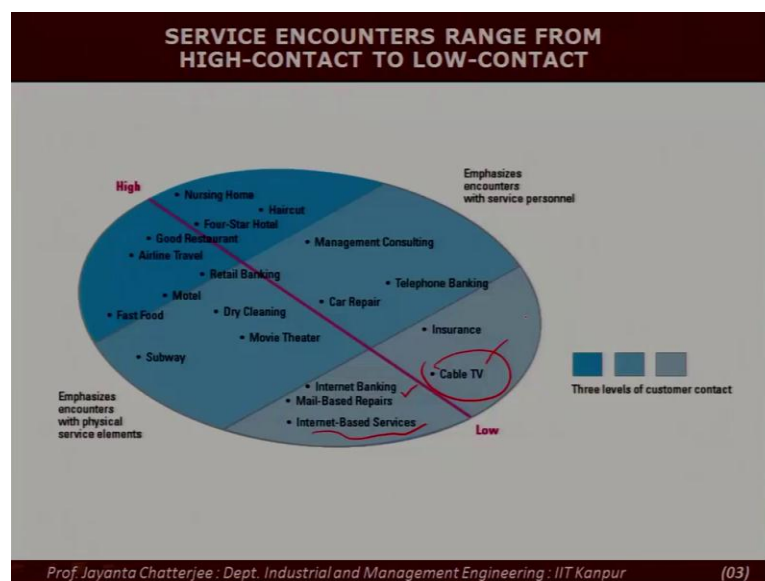
Now, let me look at the other point on which some of you have ask for clarification, these are characterization of services. This is a simple 2 by 2 matrix, four categories of services, on the vertical axis here we have tangible action and intangible action and on the horizontal axis, we have people and possession. So, if tangible actions upper formed on people, then it could be like a health care service, your visit to your dentist, these are elements of tangible actions on people.

Tangible actions can also be performed on possessions like; you take your car to the gas station for re filling. So, that said tangible action performed on a position, so these are

therefore, two interesting way of classifying services. Similarly, if you look at intangible actions, intangible action services directed at the mind of people that is like for example, this session that we are having, it is an intangible action, there is no physical exchange, there is no touch and feel, there is no hand shake, but yet we have a mind shake here.

So, we have across different electronic media, across physical presents and non physical presents, we can now create different kind of customer education, different kind of basic education, technical educations, specialize education, we can do marketing communication, these are all or a TV ad for example, these are all intangible action directed at minds of people, sort of mental stimulus creation. And then, we have intangible action on information, which is by itself a kind of a position, it is inanimate not people. But, an information intangible action means like accounting, banking and so on. So, these are four ways of classifying services that we discussed last week.

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We also discussed another way of looking at services and classifying them and this also we will be using now and then, is the high contact versus low contact. High contact means that there is the emphasis is on encounter and engagement with service personal. So, the service consumer and the service provider, they are in intense contact in case of high contact services. So, nursing home, where you are getting treated or you have gone for some kind of check up; obviously, means that between you and the nurse and the doctor, there will be intense engagement, so this is high contact, a good example.

Or if you are staying at a four star hotel or you have gone to visit a classical, you know very famous restaurant, in all these cases there will be lot of interaction between you as the service consumer and them as a service provider and together of course, you will create different kinds of streams of values. So, that is high contact and; obviously, therefore, the low contact is for example, cable TV. If this is basically between you as a service consumer at the, your interaction is with an infrastructure, it is a network, series of cables, dishes, antennas and so on.

And, but it is a very important service in the life of today and that is an example of low contact; that means, low human contact, but could be important service. So, your phone service, your internet service, your cable TV service, these are all examples of low contact, but not low importance, it could be very high importance service. So, these internet based service, internet banking, cable TV, these are all examples of low contact.

So, most important is that low contact does not mean low importance or high contact does not necessarily mean high importance, they are basically signifying the level of engagement between the service personal and this service consumer. Of course, usually in many of these instances which you see on this side of the diagram, the high side of the diagram, the high contact may also denote high content; that means multi layered content.

So, we will discuss it today itself in this session a little later, that how there are number of elements involved in one of these high contact services and therefore, the customers perception gets generated multiple levels and so one has to look at it as a system.

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THE 7 PS OF SERVICES MARKETING

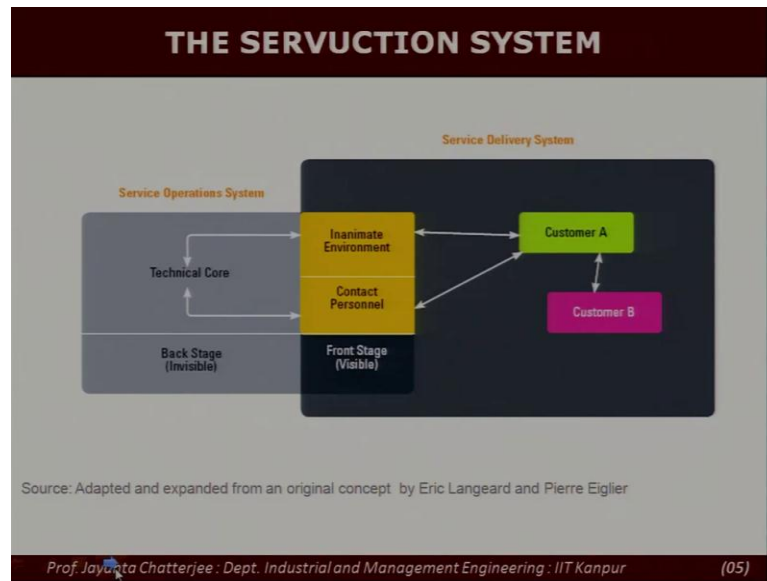
- **Traditional Marketing Mix Applied to Services**
 - Product
 - Place and Time
 - Price
 - Promotion and Education
- **Extended Marketing Mix for Services**
 - Process
 - Physical Environment
 - People

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This is the other point that we discussed in detail and before that, you also discussed about this extension of what we call the marketing mix, that in normally we think of this four elements, which is the product, the place and time which is the distributions scheme and system and the price and the promotion and customer education. But, when it comes to service, we have added three other dimensions which are very important for service, which we discussed in one of the sessions last week.

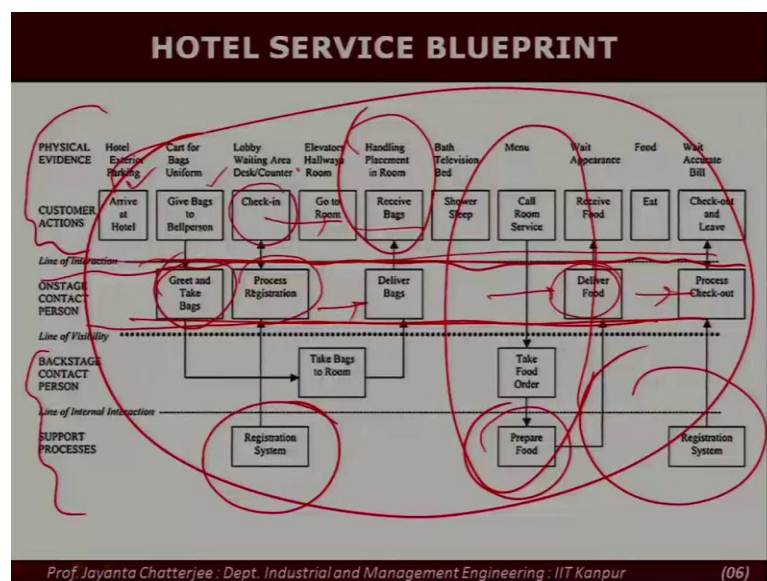
That, the process of service, the physical environment that is there in and people who are providing the service, people who are participating in the service as consumer or as service provider or three other important elements, which must be considered when we discuss about deployment of a marketing strategy, allocation of resources for services marketing and that is why we put it under these elements. So, we just pointed out that instead of the traditional four piece in services, we think of seven piece.

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We then talked about these two important ways of looking at services, a composite system. Systems approach means an integral approach, not thinking of the business in silos, but looking at it as a composite whole. And there we actually introduce you to this famous French research on servuction, which is means service and production and we said that, there is a front stage and there is a back stage in service. But, to be successful like in a restaurant, the front may be the servers, the stewards, the asserts, but that front will not be successful unless it is well supported by the back, which is the kitchen or the accounting and so on.

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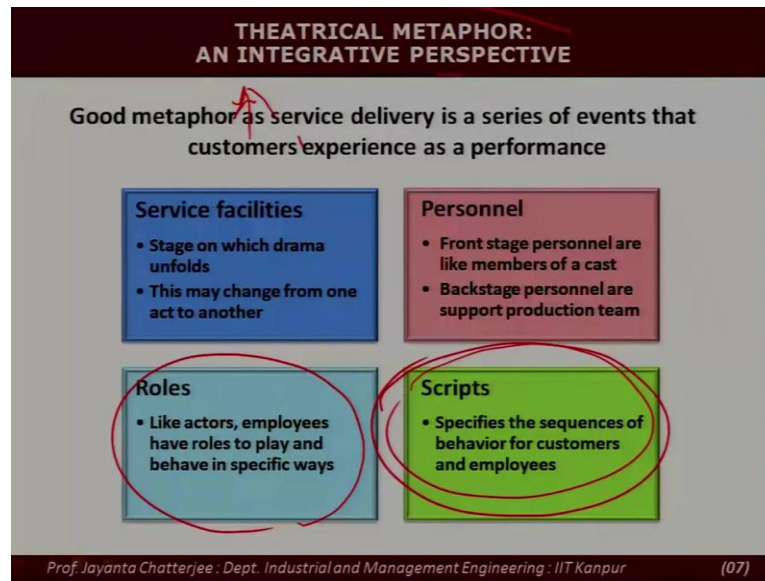


In case of service, we also pointed out that this diagram I think will explain in more detail this whole servuction system. This is actually a hotel service, we also got it service blue print in; that means, in a way it exhibits all the elements that go in to the service and it also as you can see here, that this line of interaction is provided. So, this is the front stage of the servuction system and this is the on stage and behind is this is the back stage.

So, when you are interacting with the people when you arrive at the hotel or you give your bags to the bell person or there is a checking in process or you go to your room with the hotel personnel and you receive your bags. Now, all these are happening in the visible domain, this is what we call the front stage and then that is set of on stage, where you know people where greeting you, taking your bags, your delivery of the bags, delivery of the room service or what we call these days, in room dining, a food in a room or the process of check out, these are all part of the on stage.

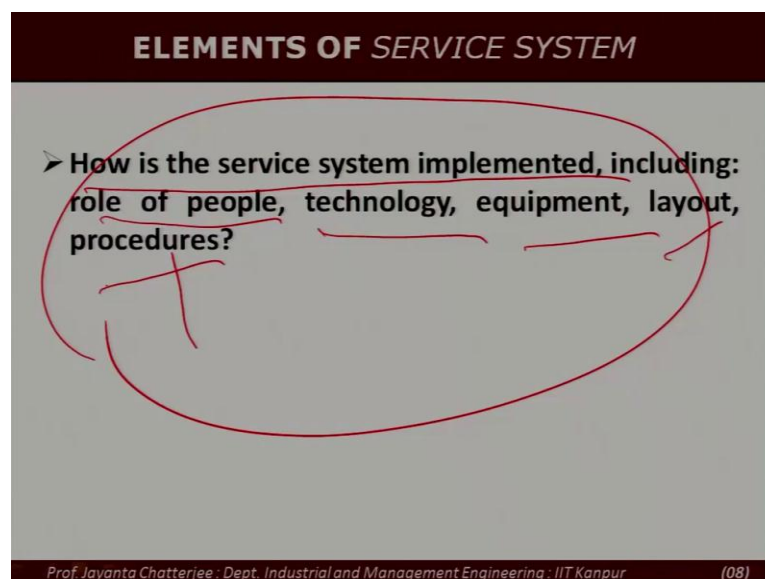
So, there is a front stage, on stage and then there is a back stage, where preparation of the food or your registration in the computer system or your billing when you are checking out, all of these are happening. So, in a way what is important to understand here is, at a macro level services must be conceived and must be executed, must be designed as a total system and not ever in terms of just how the rooms will be arranged or how food will be delivered, it has to be all together part of composite whole. Because, the customer perception though multi layered, though each element is important, but what ultimately matters in his or her mind, in the mind of the customer is the total experience that is generated by service.

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This total experience point is very important, as a result we also look at the metaphor of theater in case of service theater metaphor. And therefore, we actually say that two deliver a certain consistent level of service it is important that the service personal understand their roles and the boundaries of their roles and where the roles will actually overlap and the boundary spending nature of the roles and there will be some scripts and there should be enough training provided to people. So, that they know how to handle the variations needed in the script in case of an emergency or in case of n and for in situation.

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We will discuss this recovery mechanisms and for since situations, exception also a little later when we discuss. So, in sort come in to today's topic, elements of a services system will be all the answers to the why how you know the w and h questions as we say; that means, how is the service system implemented, what who are the people who are involved, what kind of technology, what kind of equipment, what layout, when what procedure, these are the w and h questions which as to be ask to understand that what are the elements of services.

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COMPETITIVE SERVICE ELEMENTS	
➤ Availability	(24X7)
➤ Convenience	(Store location)
➤ Dependability	(On-time flights)
➤ Customization	(My bank)
➤ Price	(Signal for Quality)
➤ Quality	(P-E) Perception Expectations
➤ Reputation	(Social Media & WOM)
➤ Safety	(Also Security)
➤ Speed	(Contextual)

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A list is provided in the next slide here for example, for a competitive service design, the elements are like availability of the service. So, now, a days you know you here this more often as 24 7 there was a time when service when provided from 7 AM to 11 PM was consider exceptional. Today of course, there are many different types of services, even in retail merchandising in super market we get 24 by 7 service; that means, 24 hours 7 days a week 365 days the year the service is available.

And this is the way you actually created competitive position, you create a distinctive position. Similarly, convenience you know the store location for example, it is set that there are some coffee chains, coffee shop chains coffees they are available at every look and corner in a large metropolis inverts and cities and that is happen it equally appearing in our situation in Bombay, Delhi and other metro areas you can find certain coffee

changes at every corner in an office area every corner in business area. So, that is actually focused on can.

In fact, as somebody has set that in today's retail business, there is only there are three factors for success, convenience, convenience, convenience and which means in generally highlight this can become a competitive service strategy core in certain kinds of services. Then in some other kinds of services dependability can be the competitive element, key competitive element like for example, on time flight in cases of airlines service.

Customization that means, you know you give the banking experience which is very personalized, privilege banking personal banking or what they call premier banking experience or if you are actually on the web then even a customer who is may not be a high network customer. But, even that customer can be given a very personalized experience with the power of technology at a very economic cost. So, customization also is becoming a very impotent aspect.

Then there is of course, price, competitive element, service element, price is also signal for quality when we discuss price in more detail, a pricing of service we will say, because of the intangible nature of service often price signals that quality of service and that can be leveraged properly to create a competitive situation, quality here I write P minus E . So, P is perception and this perception is customers perception after taking the service, after consuming the service. So, we call it post conception and this perception minus the pre conception expectation is if you perception after the service is higher than your expectation then; obviously, your satisfied.

And if your perception after the service is lower than your expectation, then you are not satisfying, so the service quality customer satisfaction depend on this P minus E perception. Reputation, the whole aspect of social media and word of mouth, very important for service, because it is intangible. So, many times we actually look for other support from other people, people we trust particularly when we face a credence oriented service which we discussed in last week.

That means, service where immediately we may not know the result, like a doctors, treatment or a lawyer who is being pointed. There reputation matters a lot that is a core element of building the service competitive service and they are actually the way to build

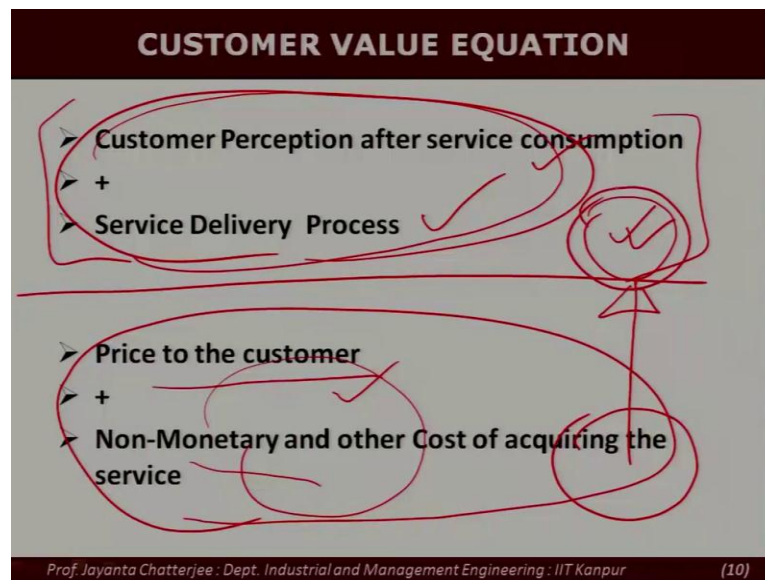
reputation media word of mouth very impotent the whole process of building your reputations.

Safety and security these days very impotent for example, the Tajmahal hotel in Bombay is now world famous, because of at the time of the terrorist attack the so called 26/11 incidents the way ordinary employees went beyond their call of duty. A waiter in the restaurant came out and devised innovative ways to save the lives of their customers. Protected the clients from harm the terrorist attack and what the died in providing safety and security to their customers has created those serious of incidences that whole record that has created a tremendous reputation, that has created a tremendous competitive position that has catapulted Tajmahal hotel to merge higher level as it service organization.

And then speed and the speed issues of course, the little contractual and we normally one speed is service. If you go to a fast food restaurant, but of course, if you have go to gone to a fine dining restaurant and we have gone with somebody near and dear and we would like to spend some quality time with the family or with my spouse and so on and in that case the speed will have a different meaning then when I visited idly, dosa restaurant or a burger restaurant.

So, all these elements therefore, have different aspects and as we go along the course we will discuss that when we deployed this competitive service elements, what are the ways we combine them, what are the different contextual variations that may come up out.

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Lastly to conclude I would like to point out the importance of this, what we call the customer value equation. The customer value equation is that if we divided it in two blocks that on the top we have customer perception after service conception and the service delivery process, these two together and these are somewhat intangible as you can see therefore, these they will have to be properly managed. So, that even though they are intangible you have some predictable way of generating a higher level here.

Because, we want that the customer perception after service and the service delivery process together must be conceived, must be perceived, must be evaluated as something better than the price, the customer paid and the different non monetary other cost of acquiring in the service. So, your parking is of reaching the particular restaurant or in the price that the customer has paid after the meal all that must be less than the customer perception of the food, the ambiance, the music, the behavior of people everything and the service delivery process. So, if this is higher than this, then we know that we have succeeded in creating a competitive service strategy and competitive service business as a deployment of that strategy.

Thank you.