

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

Lecture - 09
Intangibility of Services and Other Challenges

Hello, I am Jayanta Chatterjee from IIT Kanpur and I am interacting with you on Managing Services, contemporary issues in the service business and how the service philosophy is influencing all businesses. In this series of sessions on this topic, we are going to use alternately convergent, divergent mode. So, we will go divergent convergent, divergent convergent in sequence.

In the first week, we took a divergent view, we created the big canvas to understand the nature of the service business and its position in the overall economy. We looked at how service business concepts are progressing and the current dynamic concept of service as a philosophy for all business and so on. In the second week, in the last couple of sessions, we are now have started to converge.

We have looked at different elements that constitute a service, we understood the building blocks. So, that we can analyze any existing service or we can create a new service by rearranging the building blocks. We also looked at certain architectural models, like the flower of service, which provide us frameworks for putting those service elements together to create a new service, to inspire innovation in an existing service and so on.

We are going to dig a little deeper into certain particular characteristics of service, the challenges that are post by those characteristics and how, we meet those challenges through the managerial strategies and processes.

(Refer Slide Time: 03:05)

SERVICES DIMENSIONS

➤ Often also summarized as IHIP :

- **INTANGIBILITY:** Can't touch, feel. No storage or transport.
- **HETEROGENEITY :** Experientially unique, unique to each consumer.
- **INSEPARABILITY:** you can't most often separate service and the customer from the service provider.
- **PERISHABILITY:** Expires beyond a defined period of time.

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

I had mentioned these dimensions of service in passing, in fact, in the earlier years, may be in the last century or earlier, services were often considered as sort of inferior goods, because of that transient nature or perishable nature. But, of course, today as I have already discussed earlier, today those concepts are being replaced by a new framework, which can be applied as a logic to all businesses.

But, yet we must study these characteristics of any service or most services, which are often called IHIP or IHIP acronym for Intangibility, Heterogeneity, Inseparability and Perishability. Intangibility is about not being able to touch, feel, no storage or transport and heterogeneity is that the experientially each service instance is unique. It is unique for each consumer and even for the same consumer; it may be unique every time, the service occurs.

For example a soap, which is an example of a tangible goods, whether you touch, feel, experience the soap, today or a month later, more or less, it will remain the same. Whereas, a piece of music may evoke a different set of emotion in my mind compare to yours or even to me that same bhajan from Pandit Bhimsen Joshi may mean something this morning. In another frame of my mind, 10 days later, it may evoke a complete different set of emotions and the experience may be qualitatively different.

So, this intangibility and heterogeneity, which creates a plethora of variances; obviously, it creates a managerial challenge of maintaining standards, of creating processes that will hold good under difference situations. Few points on processors service, when conceived

as a process has this inseparability characteristics, which means that as the service is occurring in most cases, particularly in people processing services, service coming from a person to another person like your haircut.

So, that service of haircut, the barber and you, all present in the same frame of time and space, this is the inseparability. There are new technological experiences that can go beyond this limitation, so like for example, music can be recorded and delivered again and again. Like for example, this session is being recorded and you would be able to see it and experience it and view it again and again, number of times, at a different place, different time frame.

But, in many other cases, service is perishable. So, a movie ticket for this evening show, if not utilized that seat will be vacant and that opportunity for seeing the movie will be gone as far as this evening is concerned. So, capacity that was allotted to the person holding the ticket is in a way wasted, perished, gone. Same thing happens to an airline seat, the flight takes off, if the seat is not occupied that service opportunity; that service business instance becomes a perishable, commodity.

(Refer Slide Time: 08:37)

**INTANGIBLE TO TANGIBLE
CREATING THE SERVICE VALUE PROPOSITION**

➤ **SERVICES ARE EXPERIENCED over time and that are shaped by various points of contact between the service provider and the customer.**

- **Touch points.**
- **Service Flow.**

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

Now, these characteristics, this intangibility, heterogeneity, inseparability and perishability, obviously creates many different challenges and we are going to discuss today one part of a system's approach to address these challenges.

(Refer Slide Time: 08:57)

SERVICE ELEMENTS TO SERVICE DIMENSIONS

- Services are economic activities offered by one party to another, most commonly employing time based performances to bring about desired results in recipients themselves or in objects that belong to the customer.
- In exchange for their money, time, and effort, service customers expect to obtain value from access to goods, labor, professional skills, facilities, networks, and systems, but they do not normally take ownership of any of the physical elements involved.

(Lovelock, Wirtz and Chatterjee, 2008 and later)

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (01)

So, services are if we go back a little bit ((Refer Time: 08:56)), so services are economic activities offered by one party to another. Most commonly employing time based performances, this is the transient perishable nature of service to bring about desired results in recipient themselves. So, your mind may be a bit more calmer after listening to a relaxing set of music or it can bring about desire result in objects that belong to the customer.

So, that could be your hair, which will be now addressed in a prettier mold or it could be different other products like your cloths maybe converted into clean nicely pressed set by the laundry and so on. So, either services offered to the recipient as a person to person, service or what we call people focused service or it could be object focused service. The other important point in service and this by the way is actually, these definitions are borrowed from our book, which I had already mentioned in the earlier session.

So, in exchange for money, time, effort, service customers, they expect to obtain certain value and this is an important new view is that, this value is derived from access to labor, professional skills, facilities, networks and systems, all of these are important words to understand, this access to goods, labor, professional skills, facilities, network. As we take different examples, we will see how these things are play out.

But, the most important point at this stage also to note is that, all these, this exchange of value, where the customer brings certain resources and competencies and the service provider brings certain skills, facilities, networks and together a new set of values are

created without any change of ownership of the physical elements involved. This definition, we had already said before and this definition ((Refer Time: 12:04)) is our overriding definition.

But, within that we are now looking at the challenges post by the characteristics, the so called IHIP characteristics of service and how we manage them. So, going by the previous point, ((Refer Time: 12:25)) we have all these and goods, labor, professional skills, facilities, networks and so on and we have performances on people to people performance and or goods focused performance.

((Refer Time: 12:45)) Therefore, all services will have these two major dimensions to understand; that means there will be number of touch points and those touch points will be linked together as a flow. And to manage the intangibility, the heterogeneity, we have to understand the nature of the touch points as well as the nature of this flow.

(Refer Slide Time: 13:23)

TOUCHPOINTS

- Any point of contact between a service provider and their users.
- **Tangible elements of a service Flower—**
 - Everything that a person accessing the service sees, hears, interacts with

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

So, any point of the contact, between the service provider and the service consumer is a touch point. So, if you remember the earlier model of the service flower, all the petals and the core, they all embody different sort of touch points. So, everything that a person accessing the service here perceives, those are all set of tangible elements. So, the emotion evoked in your mind, hearing a classical recital is actually the core value deliver by the service.

But, that core value depends on the quality of sound, the kind of machine or the kind of auditorium, which is your framework for the experience, the acoustics of the room or the

auditorium, the sound system and the technical capability, all of these are different tangible elements, which are around the intangible experience.

(Refer Slide Time: 14:53)

MAP THE SERVICE FLOW

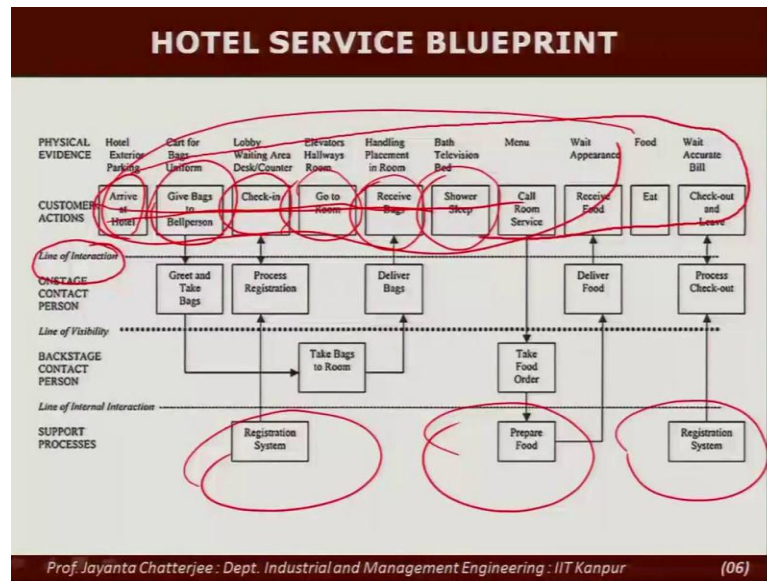
- A service consists of a series of activities and interactions over time.
- A service flow diagram describes this process, and needs to be customized.
- Describes how the touch points come together over a period of time.
- A map showing how customers experience the service at various touch points.

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (05)

And because of the intangibility, we pay a lot of attention to those tangible elements, because in the consumer's mind, many of those tangible elements and the touch point qualities often act as a proxy for the intangible experience. Similarly, this flow of service, which links all these different touch points, also needs to be well visualized. Because, as we will see that process of visualization will often tell us, where the possible failure can be, possible bottlenecks can be, possible degradation of quality can occur.

So, flow is basically how the touch points come together over a period of time or across space. And so, it think of it as a map showing the customer's experience of the service at various touch points.

(Refer Slide Time: 16:26)



So, this is an interesting blue print that will get already use before, it shows you are entire set of experience of staying for a night at a hotel. So, the touch points or arrival at the hotel, you are handling over of the bags to the bell person, you are checking in at the front desk, you are accessing the room and receiving the bags, you are shower and sleep, all of these are touch points service events.

So, the totality is an intangible heavy, dominated by deferent intangible aspects, the totality of the hotel stay is therefore an experience. But, that experience happens through these series of touch points and this touch points are linked as a flow. And as we have discussed, the flow which is in the front stage or what we call above the line of interaction, which is visible area is supported by different back stage actions and different infrastructure, which are even at the further back end.

But, at the moment, we are going to focus on understanding that how we can identify the touch points and how we can link them in a flow and most importantly, how we can map or create a blue print of those touch points and services.

(Refer Slide Time: 18:28)

CREATING A SERVICE FLOW
CREATING A SYSTEMS EXPERIENCE

- Service is an experience-distributed in space, and across contexts, places, in time, and across a multitude of touch points.
- How do you provide a consistent and compelling user experience?
- The amount of touch points will only increase, intensifying the challenges associated with providing an integral user experience.

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

Why, what is the advantage doing in that, the advantage that I was saying that, we want, we know that is soap will provide a consistent consumer reaction, time after time. But, in service because of the intangibility and heterogeneity it might change, but we yet to manage the dynamics. So, we have to create some anchor points or some fixed points or some assured standards, which can be repeated again and again.

We have discussed one aspect of it that by create service roles and we creates scripts for each role player, but if you want to go into deeper, it is very important to understand the touch points and their nature and the how their link together on the flow. So, that we can provide consistent and compelling user experience and understand that in today's world with the World Wide Web. The UB Quitters presents of information and communication technology appliances, the number of touch points for the same service are going up and up.

So, the same experience that we were ((Refer Time: 20:02)) discussing about the restaurant, now there may be a number of services, which are happening over telephone or over internet for making reservation for selecting the restaurant for even making some pre selection of menus and so on by using some of those booking services, some of those restaurant search services.

So, the key point here to notices that this touch points and the flow, the touch points, the number of touch points are increasing and the flower are often becoming multi-lateral and creating a complex network rather than a linear flow.

(Refer Slide Time: 20:54)

➤ **How to tangibilise service to co-create lingering good feeling, belief, trust from a series of**

➤ **intangible perceptions out of multiple touch points,**

➤ **inspiring repeat purchase, creating advocacy?**

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

In that case; obviously our challengers how to tangibles services to co-create lingering good feeling; that means, we can continue to feel good, even after the service event is over and when we recall and when we talk to others about that service, the service business absolutely needs that referral; that positive word of mouth. And therefore, this creating a lingering good feeling that will lead to believe trust is very import.

So, the challenge is how to create this lingering, continuing, good feeling, leading to trust belief from a series of intangible perceptions out of multiple touch points. Because, ultimately we want the word of mouth, ultimately we want advocacy, we want repeat purchase and creating advocacy.

(Refer Slide Time: 22:12)

APPROACHES FOR ADDRESSING SERVICE INTANGIBILITY

- Present vivid information
- Use interactive imagery
- Focus on the tangibles
- Use brand icons to make the service tangible
- Use association, physical representation, documentation, and visualization
- Feature service employees in communication
- Use buzz or viral marketing
- Leverage social media
- Aim messages to influencers
- Create advertising that generates talk because it is humorous, compelling, or unique
- Feature satisfied customers in the communication
- Generate word-of-mouth through employee relationships

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

So, there are number of ways of addressing the challenge of intangibility and I am now going to only introduce to you, a brief overview of those proven approaches. For example, providing very vivid information, use interactive imagery, which is now become even easier, because of information and communication technology, availability of television, availability of television transmission even on your mobile phone and we use many other tools like say a brand icons to make the service tangible.

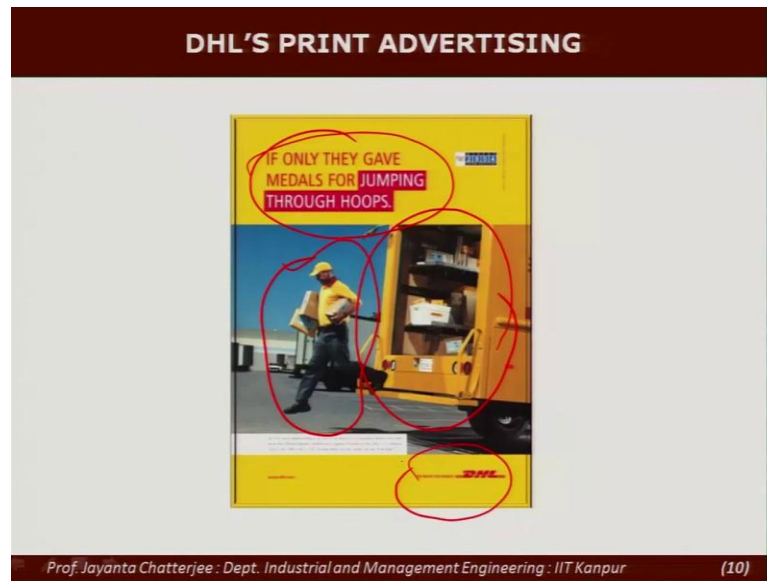
We use different sort of association, physical representation, documentation and visualization. If you are able to do this well, then we create a bus, the positive word of mouth, which we are now a days, we are calling viral marketing, I am going to give only an overview now, I am going to discuss these aspects more and more as we proceed. So, if something a terminology is a little not familiar at this stage like viral marketing, do not bother.

You can of course, go and search for it, after the session and these days, you can get a wealth of knowledge on the web, just through the various search engines. But, we will anyway explain all these points much more in detail, the key point that we are at this stage making is that, because it is intangible. We create tangible queues, metaphors, examples, images, which create a lingering good feeling, which we want to feel to create a feel good reaction, impression, experience, after consumption of service.

But, even before one comes to the service setting, even before one reaches the movie auditorium or movie hall, we would like to create a advertising that generate stock; that is humorous; that is compelling, unique. So, as you can see here, both pre consumption, communication, communication and touch points during the service experience and communication after the service incidence or are all very important to create an overall good feeling, good services, experience.

This is our response to the intangibility, the heterogeneity to create certain standard anchor points, which will in most cases produce a good experience. We will see in detail how these will be done.

(Refer Slide Time: 26:03)



But, today I will be conclude by showing you some examples that how in the communication we continue to reinforce these signals. So, this is some advertisement of the courier service and as you can see here, the people who provides services are highlighted, their eagerness is highlighted, the jumbling through the hoops that is highlighted. The equipment is highlighted, a very standard colors scheme is used, so that it invokes again and again and again in the same in image.

So, once a good feeling is created, then this logo, this color scheme, everything is important to repeat, to repeat, to repeat in the customer's mind the positivity of the experience.

(Refer Slide Time: 26:57)



Other interesting you try to create cache communications text, you try to highlight that people or the key differentiate, this because the service intangible often becomes tangible at the touch point by the attitude, by the smartness or by the callousness of the service provider. So, highlighting your people is important for the customer and highlighting the kind of quality, the people must deliver is also very important for training and upgrading your own personnel, service personnel.

So, as you see here, you have to create a consistent series of images and messages that act as a sort of substitute tangibility, for the service experience, which in an essence is intangible.

(Refer Slide Time: 28:12)



And you can repeat that through television add, through outdoor advertising, to print add; create a consistent message this is to be done keeping in mind, the various needs how the human needs are arranged in a hierarchy. However, emotions are structured, what creates a positive impression, how do we strive to understand the customer with empathy, how our response can be made reliable instance after instance, day after day, a topic that we will take up over the subsequent sessions.

Thank you.