

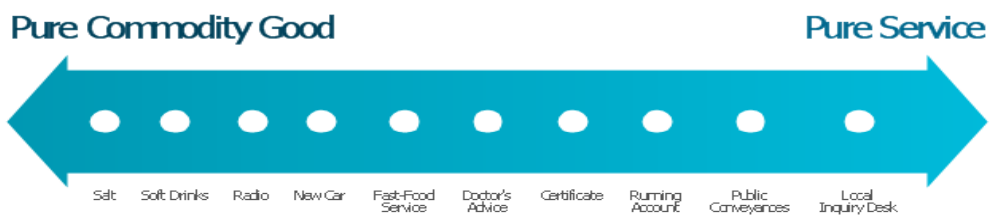
Service Operations Management (SOM)

Session I & II Introduction to SOM

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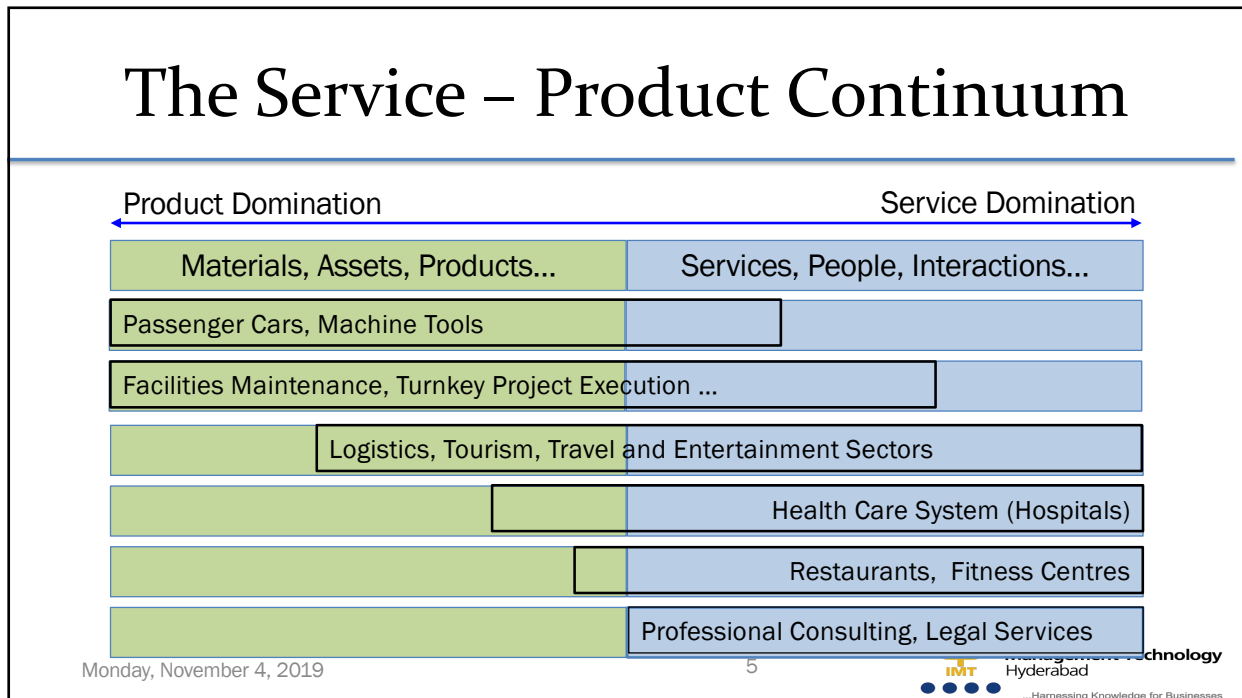
Service product continuum



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Point to ponder...

What are the key characteristics of services that make them different from goods?

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Consider the following



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Distinctive Characteristics of Service Operations

- Services can deal with psychology of consumers
 - More degrees of freedom to create desirable services
- Appropriability: Patents not easy
- High Customer Loyalty; Exit Barriers
- Services are **Intangible**
 - Need for development of capable infrastructure
 - Materialization of the service necessary
 - Services can be conspicuous by their absence

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Consider the following



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Distinctive Characteristics of Service Operations

- Sometimes too busy/sometimes too idle!
- Usage of inventory to hedge uncertainty not possible
- Usage of excess capacity is the usual practice
- Services are **Perishable**
 - Necessary to smoothen the demand
 - Schedule preventive maintenance in slack time
 - Special tariffs for slack times

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Consider this



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Distinctive Characteristics of Service Operations

- Diverse services tend to have more in common with each other than diverse goods
- Services are **Transferable**
 - Managers can utilize insights from one service to the other!

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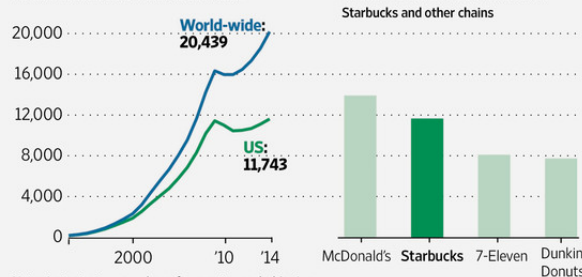
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Consider this

Starpower

Starbucks locations have proliferated since it went public in 1992.

Number of Starbucks locations over time



Note: Latest store numbers for quarter ended in June
Source: the companies

BRANCHING OUT

Public Sector Banks

	Total number of branches Mar '13	Increase in branch count Mar '08-Mar '13
State Bank of India	14,816	4,630
Punjab National Bank	5,874	1,610
Bank of Baroda	4,336	1,483
Bank of India	4,292	1,409
Union Bank of India	3,511	1,150
Canara Bank	3,728	1,050

Private Sector Banks

HDFC Bank	3,062	2,301
ICICI Bank	3,100	1,838
Axis Bank	1,947	1,276

Source: Banks

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Distinctive Characteristics of Service Operations

- Services are produced and consumed at the same time
- Error corrections might be difficult
- Need for physical presence of the customer/assets
 - Loss of economies of scale
- Difficulty of testing service prototypes
- Product substitutions
- Services are characterized by **simultaneity**
 - Franchise models; consistency of approach

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Who is this?



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Distinctive Characteristics of Service Operations

- Human involvement leads to high amount of randomness
- Services are characterized by **Heterogeneity**
 - Maintenance of consistency important

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Some other characteristics

- Cultural specificity
- Customer participation
- Non-transferable ownership

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Service definitions

- A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems
 - Christian Gronroos, Service Management and Marketing, Lexington, Mass: Lexington Books, 1990, p. 27)

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Service definitions

- Most authorities consider the services sector to include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced and provides added value in forms (such as convenience, amusement, timeliness, comfort, or health) that are essentially intangible concerns of the first purchaser.
 - Quinn et al 1987

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Course Objective

To enable participants understand, appreciate and successfully incorporate operations management principles and insights into the management of services

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Course management

- Course website where details of all readings, PPTs could be accessed anytime.
- Textbook and Course outline

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Course Themes

- Strategic Alignment
- Service Design
- Managing uncertainty
- Healthcare sector
- Social sector

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Rules of Engagement

- Course website: <http://vkteaching.weebly.com/>
- Penalties
 - Seeking clarifications on announcements already made will attract penalty. Important announcements will be made at the beginning of the class. Don't miss them.
 - Put your phones away – penalty if found using. Repeat offenders will get higher penalty.
 - Plagiarism is a crime and will result in highest penalty

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THANK YOU

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