

Session III

Service Classifications

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Point to Ponder...

Not all services are created equal!

Different services have different challenges

Different services have different ways to face
different challenges

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Classifying by configuration

- B2C services
- B2B services
- Government services
- Not for profit services
- Internal services
- C2C Services!!

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Nature of the service act

What is the nature of the service act?	Who or what is the direct recipient of the service?	
	People	Things
Tangible Actions	Services directed at people's bodies -restaurants, haircutting, beauty salons	Services directed at goods and other physical possessions -freight transport, laundry/dry cleaning
Intangible Actions	Services directed at people's mind -education, theatres	Services direct at intangible assets -banking, legal services

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Managerial implications

- Does the customer need to be physically present?
 - 1) Throughout the service delivery?
 - 2) Only to initiate / terminate the service transaction?
 - 3) Not at all
 - Customer satisfaction will be influenced by interactions they have with personnel, nature of facilities, characteristic of other customers, questions of location and schedule convenience
- **Managers of service organizations may be able to identify opportunities for alternative, more convenient forms of service delivery- MOOCs!**

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Nature of Demand and Supply

Extent to which supply is constrained	Extent of demand fluctuations over time	
	Wide	Narrow
Peak demand can usually be met without a major delay	Could use increases in demand outside of peak periods Ex) electricity, telephone, natural gas	Must decide whether to seek cont. growth in demand & capacity or maintain status quo Ex) banking, insurance, legal services
Peak demand regularly exceeds capacity	Must try to smooth demand to match capacity- must both stimulate and discourage demand Ex) theatres, hotels/motels, restaurants	A growing organization that may need temporary demarketing until capacity can be reach to meet current needs Ex) services similar to those in above field but with insufficient capacity

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Managerial implications

- Managing demand in services because fluctuations can be sharp and there is no buffer of inventory between supply and demand
- What is the typical cycle period for these demand fluctuations?
 - Predictable- demand varies by hour of the day, day of week/month, season of year
 - Random- no apparent pattern to demand fluctuations
- What are the underlying causes of these demand fluctuations?
 - Customer habits or preferences- could marketing change these?
 - Actions by third parties- employers set working hrs. hence marketing efforts might be directed at those employers
 - Nonforceable events- weather conditions, health symptoms

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Managerial implications

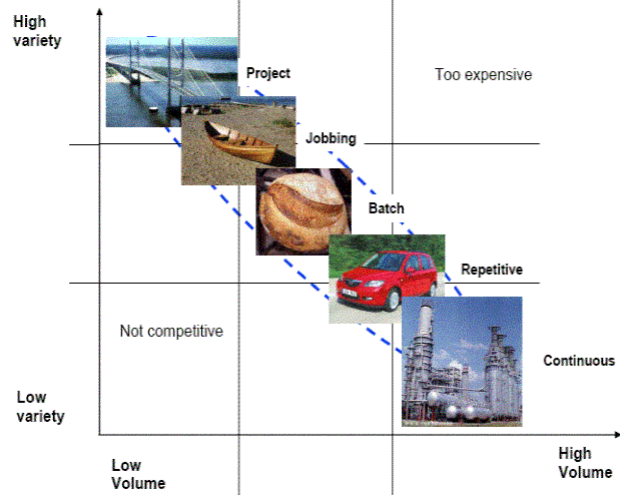
- Smooth out ups and downs of demand:
 - Decrease demand:
 - Encourage customers to change their plans voluntarily- Offer discounts or added product value during times of low demand
 - Ration demand through reservations or a queuing system
 - Increase demand:
 - New business development efforts should be targeted at prospective customers with a counter cyclical demand pattern. Ex) accounting firm has lots of business at the end of the year may find new business for the bulk of the year when it has relatively no business

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How many of you remember this?



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Service Process classification

Degree of labour intensity	Degree of interaction and customization	
	Low	High
Low	Service Factory Airlines Trucking Hotels Resorts & recreation	Service Shop Hospitals Auto repair
High	Mass Service Retailing Wholesaling Schools Retail banking	Professional service Doctors Lawyers Accountants Architects

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Managerial implications

- Low labor intensity
 - Capital decisions
 - Technological advances
 - Managing demand to avoid peaks and to promote off peaks
 - Scheduling service delivery
- High labor intensity
 - Hiring, training, developing methods and controls
 - Employee welfare
 - Scheduling the workforce
 - Controlling of far-flung geographic locations
 - Managing growth

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Managerial Implications

- Low interaction and customization
 - faces a stiff marketing challenge
 - Making the service warm
 - Attention to physical surroundings
 - Managing fairly rigid hierarchy with need for standard operations procedures
- Higher degree of interaction and customization
 - Fighting costs increases
 - Maintaining quality
 - Responding to consumer intervention
 - Managing advancement of people delivering service
 - Managing flat hierarchy with loose subordinate – superior relationship
 - Gaining employee loyalty

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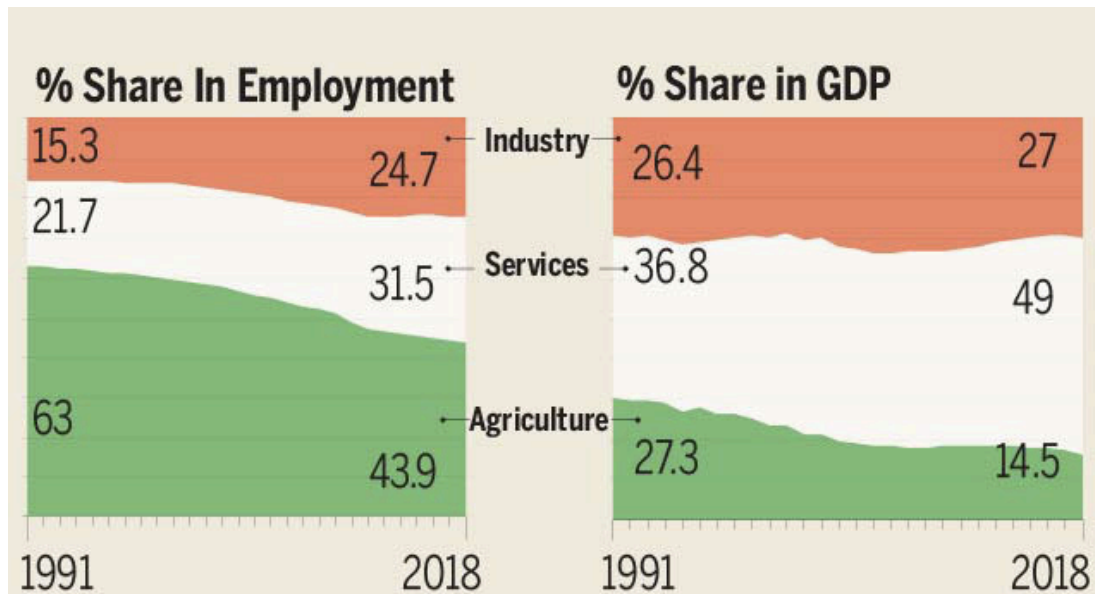
IMPORTANCE OF THE SERVICE SECTOR

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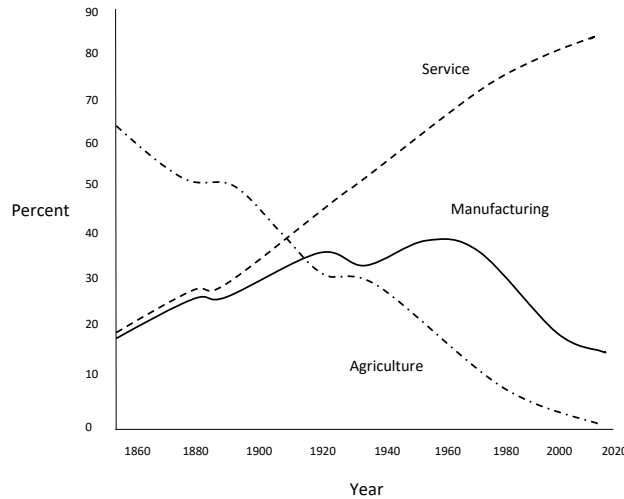


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Trends in U.S. Employment by Sector



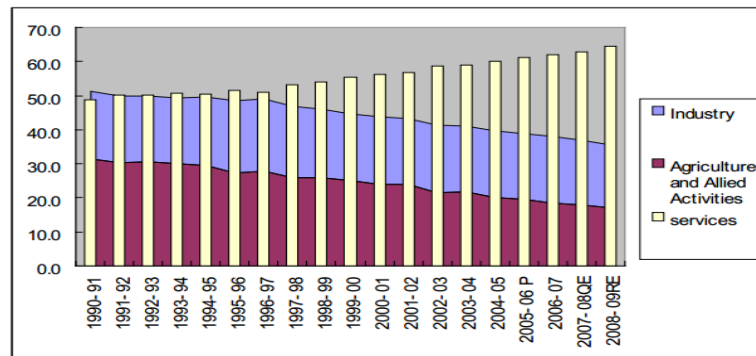
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Importance of services

Figure 1: Change in Sectoral Composition of India's GDP (%)
Change in Sectoral Shares in GDP: 1990-91 to 2008-09



Notes: GDP = gross domestic product, P = Provisional, QE = Quaterly Estimates, RE = Revised Estimates.
Source: Central Statistical Organisation.

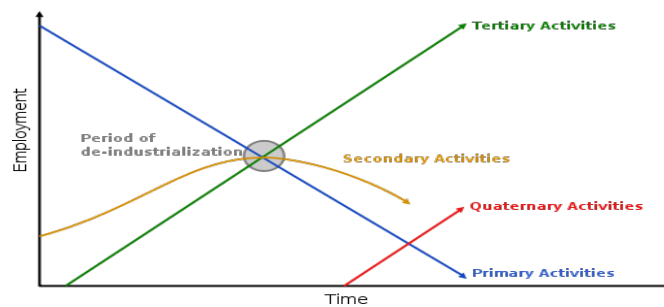
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Stages of Economic Development

- Three sector theory/ Structural change theory
 - Clark-Fisher hypothesis
 - Primary
 - Secondary
 - Tertiary
- Criticisms
- Rationalizations



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After the next few slides.....

YOU WILL NEVER LOOK AT SERVICES THE SAME WAY AGAIN!!!

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Service Dominant Logic

- Service is the fundamental basis of value creation
- Service is defined as use of one's competencies for the benefit of another through exchange
- Facilitating goods may be involved in the exchange
 - But value-in-use (value as realized and determined by the customer) is the important feature

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Paradigm Inversion



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Service Dominant logic

Foundational premise	Explanation and comment
Service is the fundamental basis of exchange.	The application of operant resources (knowledge and skills), "service," as defined in S-D logic, is the basis for all exchange. Service is exchanged for service.
Indirect exchange masks the fundamental basis of exchange.	Because service is provided through complex combinations of goods, money, and institutions, the service basis of exchange is not always apparent.
Goods are a distribution mechanism for service provision.	Goods (both durable and non-durable) derive their value through use – the service they provide.
Operant resources are the fundamental source of competitive advantage.	The comparative ability to cause desired change drives competition.

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Service Dominant Logic

All economies are service economies.	Service (singular) is only now becoming more apparent with increased specialization and outsourcing.
The customer is always a co-creator of value.	Implies value creation is interactional.
The enterprise cannot deliver value, but only offer value propositions.	Enterprises can offer their applied resources for value creation and collaboratively (interactively) create value following acceptance of value propositions, but can not create and/or deliver value independently.

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Service Dominant Logic

A service-centered view is inherently customer oriented and relational	Because service is defined in terms of customer-determined benefit and co-created it is inherently customer oriented and relational.
All social and economic actors are resource integrators.	Implies the context of value creation is networks of networks (resource integrators).
Value is always uniquely and phenomenologically determined by the beneficiary	Value is idiosyncratic, experiential, contextual, and meaning laden.

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