

Service Operations Management (SOM)

Introduction to SOM

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1

About me

- ▶ Area Chair, OM Area
- ▶ Assistant Professor , OM Area
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Research Interests

- ▶ Behavioral Operations
- ▶ Supply Chain Management
- ▶ Case Writing

Academic Background

- ▶ FPM, IIM Bangalore
- ▶ M.Tech, IIT Bombay

Professional Journey

- ▶ IMT Hyderabad, Since Dec 2016
 - ▶ Taught: RSCM, SOM, OM (Core)
- ▶ IIM Raipur
 - ▶ Taught: TQM, SOM, OM (Core)

Teaching Philosophy




A course is not a spa, it is a Gym and the faculty is the trainer

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2



2

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- When your name is called
- Switch on your video
 - Where you are from
 - Basic background
 - Something special about you.

3

Rules of Engagement


If you do your thing, I do mine
Our learning contract will be just fine
What's the point of being disruptive
And making your woes so serpentine
In your best interest, please fall in line

- Vinay Kalakbandi
Circa 2020




Use a laptop/PC only.
Usage of mobiles phone/ipad is strongly discouraged.

Install MS-Excel
Mac-Nerds, figure it out!



Treat this like a real classroom session

Undivided attention please
Maintain basic decorum



Always keep your video on.

Especially when you are speaking
Invest in better bandwidth



Mute your audio while not speaking.

I do not want to hear your cooker whistle

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4

Operational Details

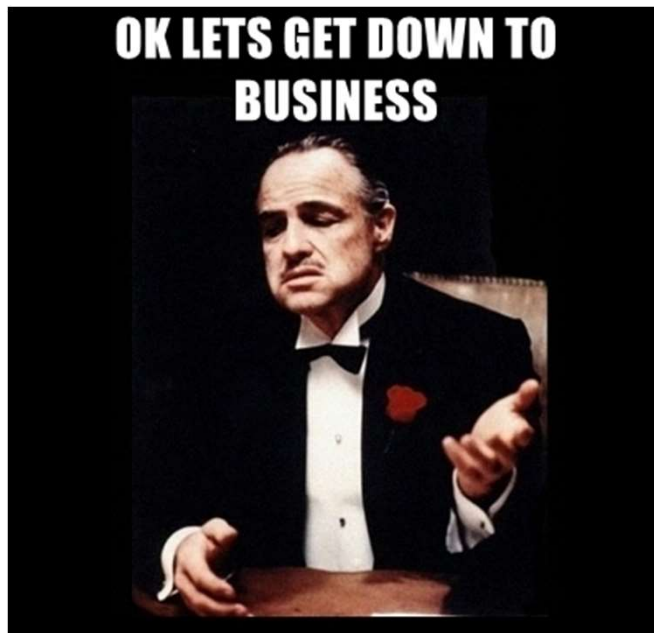
- MS Teams will be used for all the information dissemination.
- Website: <http://vkteaching.weebly.com/>
- Webex or MS Teams?
- Spoilers Ahead!

BRACE YOURSELVES



5

OK LETS GET DOWN TO BUSINESS



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6

Our First team activity

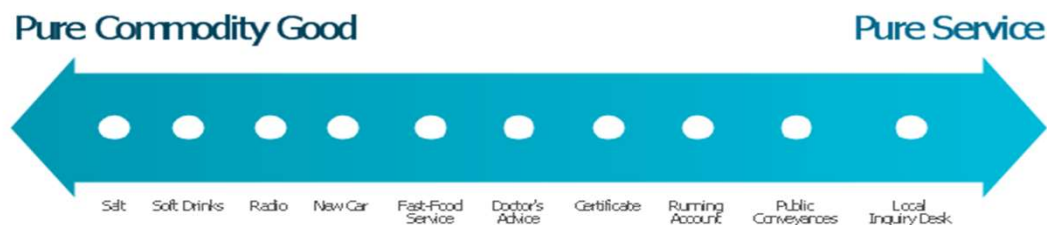
- Consider the given list of companies
- Which of these are service firms and which of them are product firms?

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7

7

Service product continuum

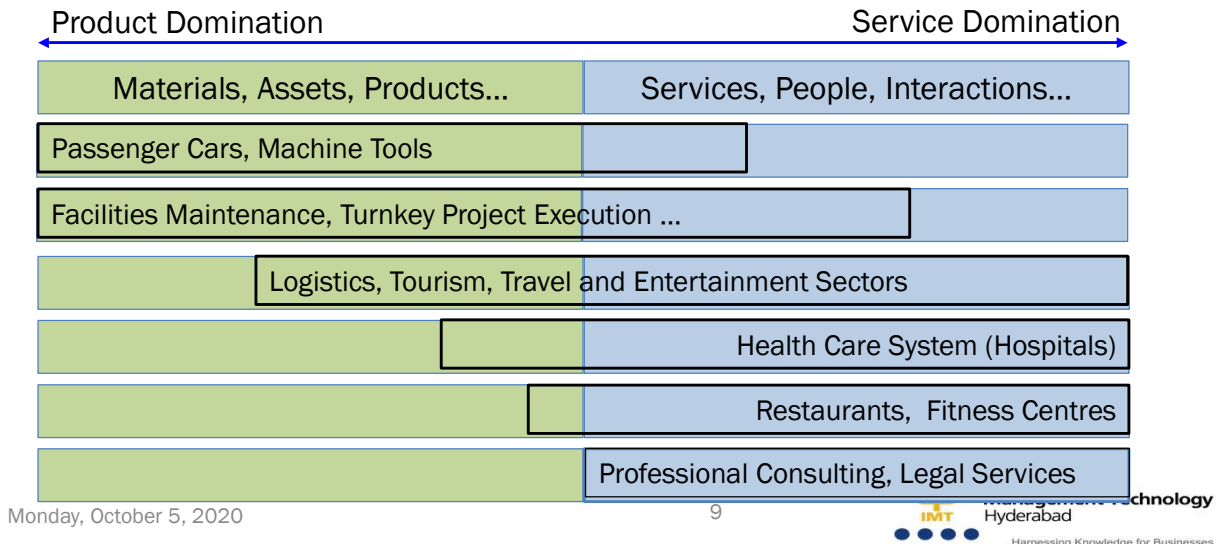


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8

8

The Service – Product Continuum



9

Team activity

- Order the firms you have been provided them in a service product continuum
- As a class, merge all your lists.

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10

10

Point to ponder...

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

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11

Who is this?



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12

12

Consider the following



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13

13

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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14

14

Consider the following



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15

15

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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16

16

Consider this



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17

17

Distinctive Characteristics of Service Operations

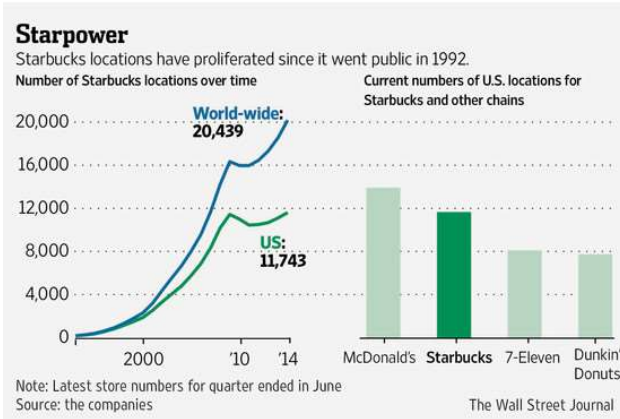
- Diverse services tend to have more in common with each other than diverse goods
- Services are **Transferable**
 - Managers can utilize insights from one service to the other!

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18

18

Consider this



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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19

19

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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20

20

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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21

21

Some other characteristics

- Cultural specificity
- Customer participation
- Non-transferable ownership

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22

22

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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23

23

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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24

24

Course Objective

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

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25

Course management

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

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26

26

Course Themes

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

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27

27

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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28

28

THANK YOU

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29

29

Service Classifications

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30

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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31

Classifying by configuration

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

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32

32

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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33

33

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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34

34

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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35

35

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 marking efforts might be directed at those employers
 - Nonforceable events- weather conditions, health symptoms

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36

36

Managerial implications

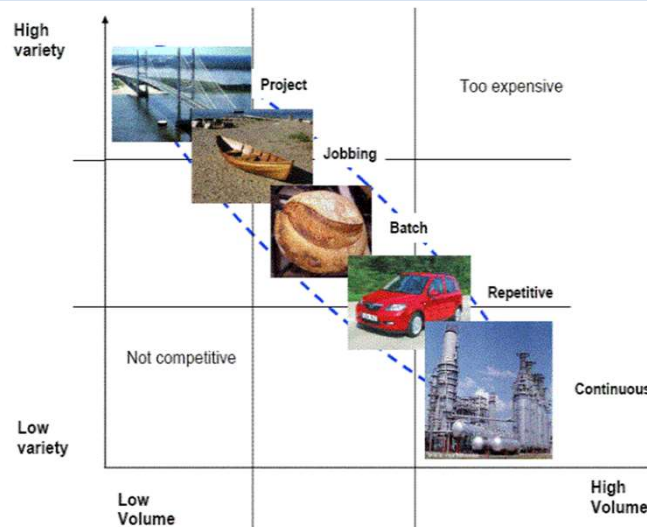
- Smooth out ups and downs of demand:
 - Decrease demand:
 - Encourage customers to change their plans voluntarily- Offer discounts or added product value during times of low demand
 - Ration demand through reservations or a queuing system
 - Increase demand:
 - New business development efforts should 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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37

37

How many of you remember this?



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38

38

Service Process classification

		Degree of interaction and customization	
		Low	High
Degree of labour intensity	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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39

39

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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40

40

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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41

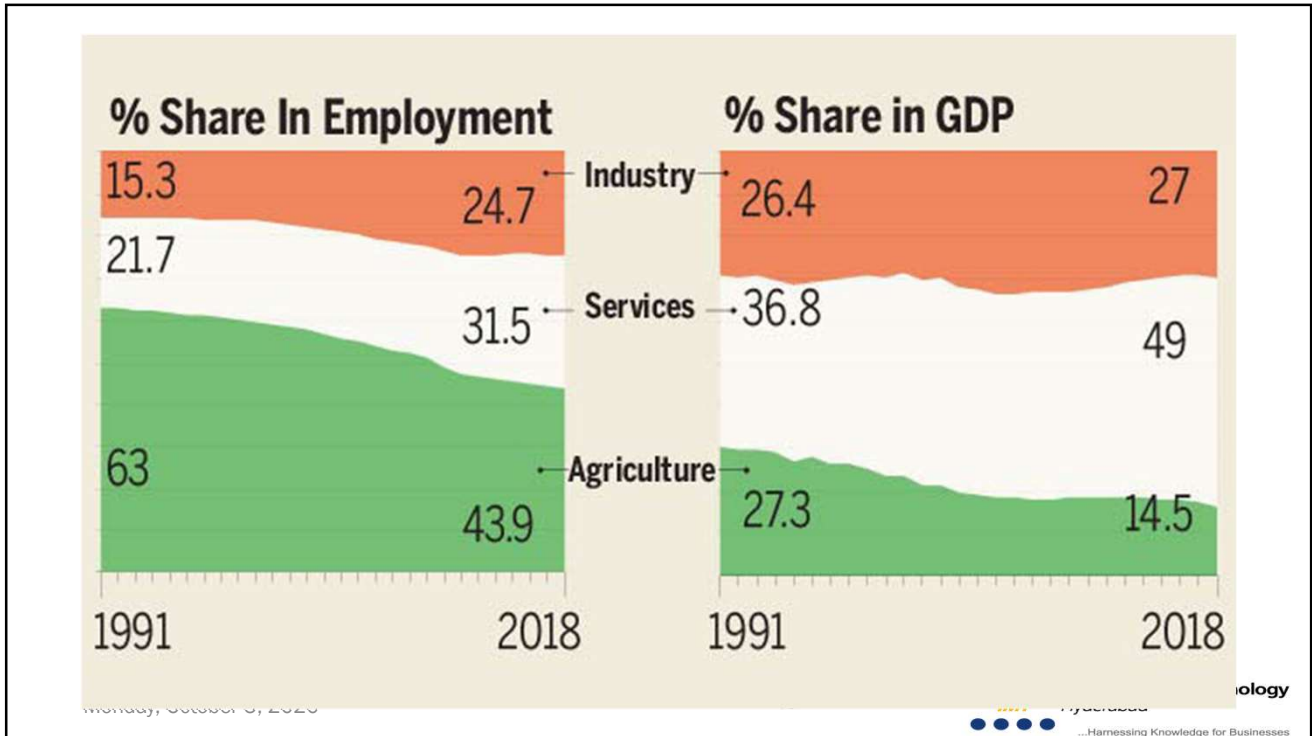
41

IMPORTANCE OF THE SERVICE SECTOR

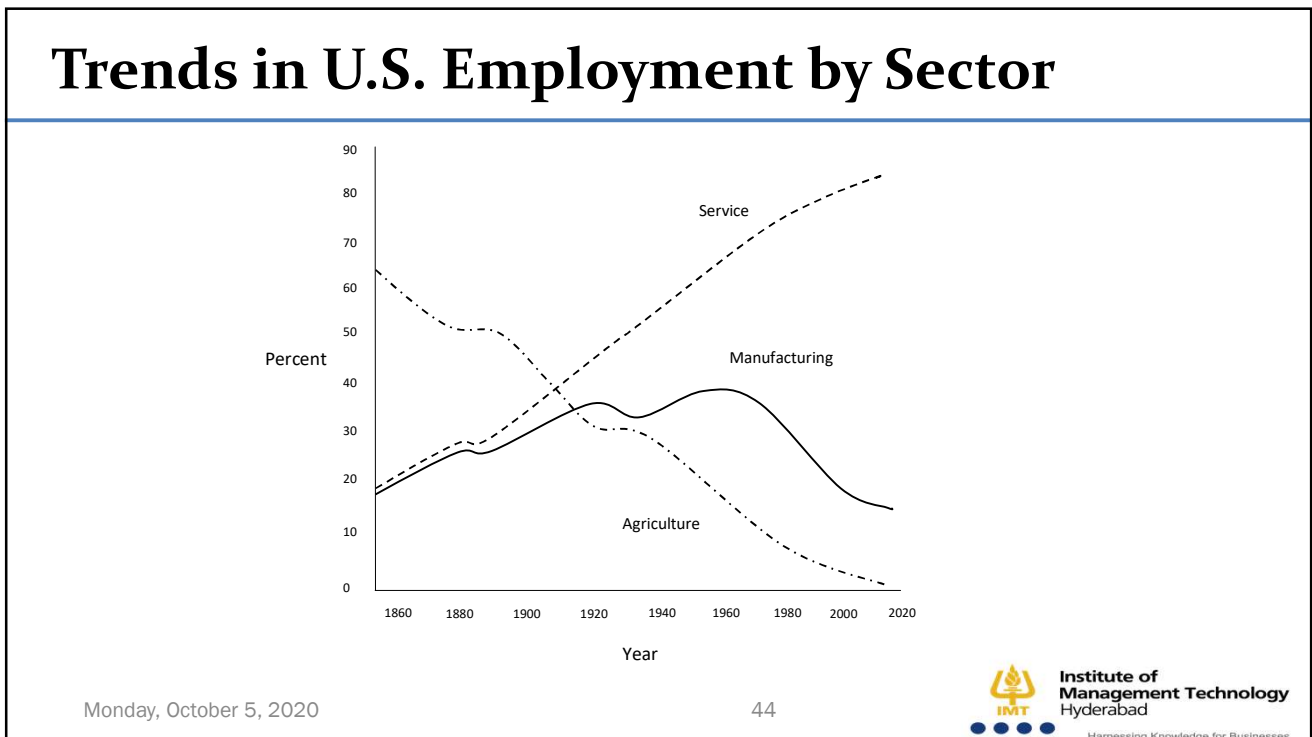
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42

42

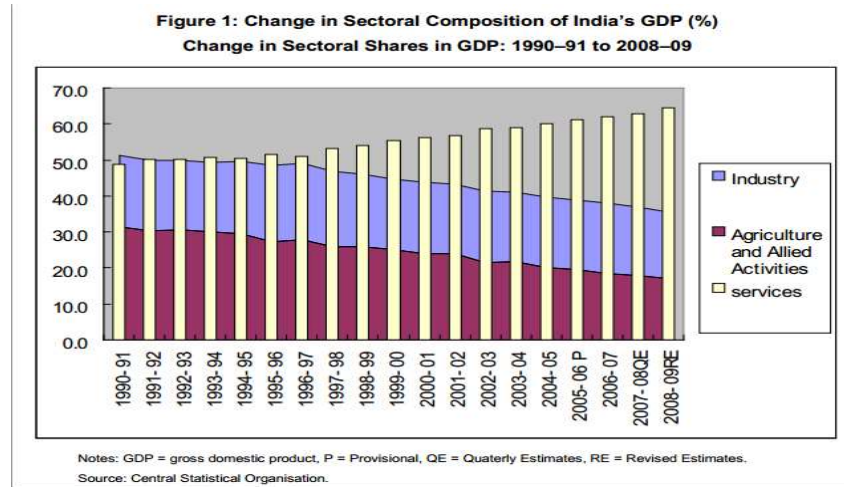


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44

Importance of services



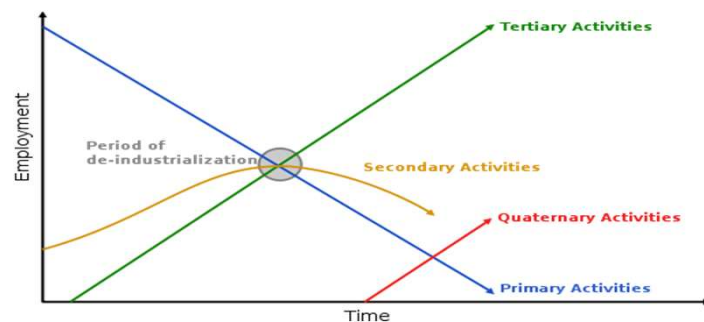
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45

45

Stages of Economic Development

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



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46

46

Enablers of the service sector

- Social Trends
 - Aging of the population
 - Two-income families
 - Growth in number of single people
 - Home as sanctuary
- Service Innovations
 - Push pull innovations
 - Services derived from products
- Effective usage of Information
 - Data mein paramatma hain!

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47

47

After the next few slides.....

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

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48

48

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

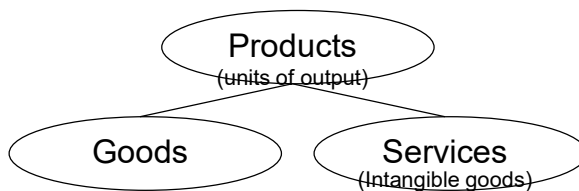
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49

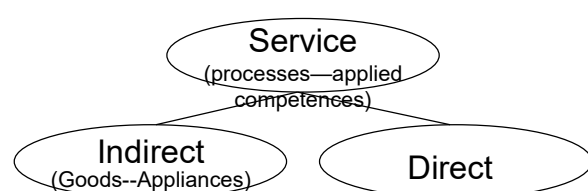
49

Paradigm Inversion

Goods Logic



Service Logic



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50

50

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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51

51

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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52

52

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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53