

Service Operations Management (SOM)

Session V Service Design

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3Ts of a Service Provider

- How the following are managed determines the success of the Service Design

3Ts of
Service
Design

Tasks

Treatment

Tangibles

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3Ts of a Service Provider

- **Tasks: Comprise of Processes**
 - The steps/actions required to accomplish the service
 - Divergence v/s complexity
- **Tangibles:**
 - Consists of elements that can be experienced through five senses
 - Used for mistake proofing, checklist etc
- **Treatment: Softer side of service**
 - Empathy, attitude, smiles etc: Hiring the right people

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Service design elements

- **Structural**
 - Delivery system, Facility design, Location
 - Servicescapes
 - Capacity planning
 - Queuing models
- **Managerial**
 - Service quality management
 - Managing supply and demand
 - Yield management, demand steering
 - Managing the service encounter
 - Degree and nature of interaction between customer and server
 - Information: and how you use it!

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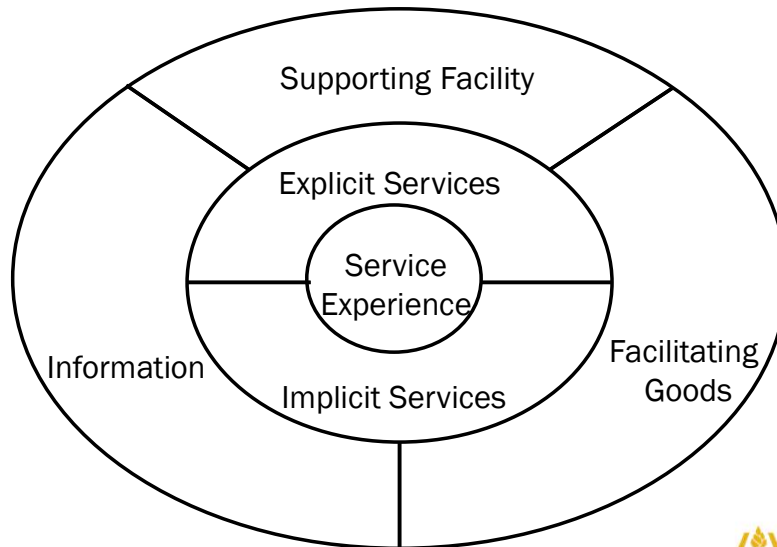
The Service Package

- **Supporting Facility:** The physical resources that must be in place before a service can be sold. Examples are golf course, ski lift, hospital, airplane.
- **Facilitating Goods:** The material consumed by the buyer or items provided by the consumer. Examples are food items, legal documents, golf clubs, medical history.
- **Information:** Operations data or information that is provided by the customer to enable efficient and customized service. Examples are patient medical records, seats available on a flight, customer preferences, location of customer to dispatch a taxi.

The Service Package (cont.)

- **Explicit Services:** Benefits readily observable by the senses. The essential or intrinsic features. Examples are quality of meal, attitude of the waiter, on-time departure.
- **Implicit Services:** Psychological benefits or extrinsic features which the consumer may sense only vaguely. Examples are privacy of loan office, security of a well lighted parking lot.
- **Peripheral/Ancillary services and their service packages!**

The Service Package



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Behavioral Aspects of Service Design

- Start well and let the customer experience improvement during the steps of the service delivery
- Pain has a long memory – administer it early, and not often
- Finish with a pleasurable experience

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Behavioral Aspects of Service Design

- Time lengthens in moments of waiting or stress and contracts during moments of pleasure.
- Employees can feel pain too, Reward and rotate personnel at stressful points in the service design.
- People like control over what happens to them. The freedom to exercise a choice, however minor, provides a sense of control and increases both provider and customer satisfaction

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Hotel Monaco Chicago

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Things a service business must get right

- Service Offering
 - Determine how customers define “excellence”
 - Identify what you’ll do to deliver that excellence
 - And what you won’t do!
- Funding Mechanism
 - Think about how you’ll pay for the increased cost of the excellence you’re seeking to provide through your service offering

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Things a service business must get right

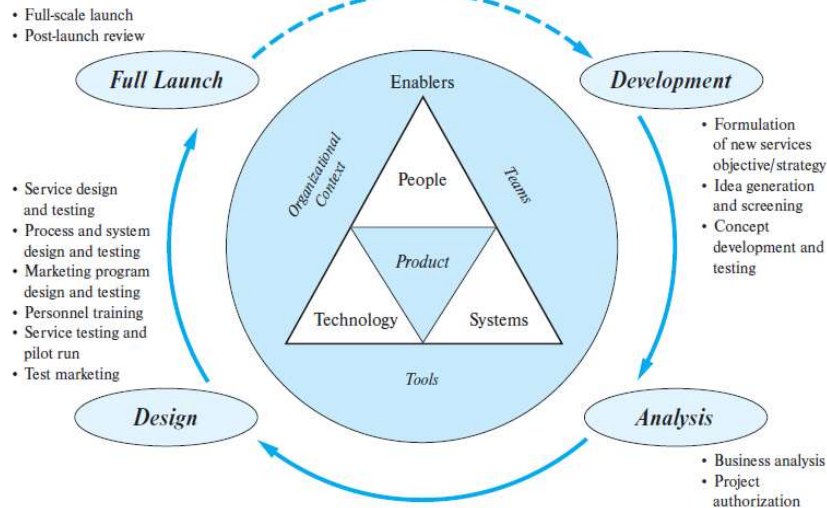
- Employee Management
 - Ensure that your workforce management activities empower employees to deliver the excellence embodied in your service offering
- Customer Management
 - Articulate which behaviors customers must demonstrate to get the most value from your service. Then design your service specifically to foster those behaviors

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Figure 3.3: The NSD Process Cycle



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Technology-Driven Service Innovation

Source of Technology	Service Example	Service Industry Impact
Power/energy	Jet aircraft Nuclear energy	International flight is feasible Reduced dependence on fossil fuel
Facility design	Hotel atrium Enclosed sports stadium	Feeling of grandeur/spaciousness Year-round use
Materials	Photochromic glass Synthetic engine oil	Energy conservation Fewer oil changes
Methods	Just-in-time (JIT) Six Sigma	Reduce supply-chain inventories Institutionalize quality effort
Information	E-commerce Satellite TV	Increase market to worldwide Alternative to cable TV

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Service Design Elements

Design Elements	Topics
Structural	
Delivery system	Process structure, service blueprint, strategic positioning
Facility design	Servicescapes, architecture, process flows, layout
Location	Geographic demand, site selection, location strategy
Capacity planning	Strategic role, queuing models, planning criteria
Managerial	
Information	Technology, scalability, use of Internet
Quality	Measurement, design quality, recovery, tools, six-sigma
Service encounter	Encounter triad, culture, supply relationships, outsourcing
Managing capacity and demand	Strategies, yield management, queue management

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Strategic Positioning through Process Structure



Degree of Complexity: The number and intricacy of steps, e.g., fast-food take-out is less complex than preparation of gourmet dinner at fine restaurant



Degree of Divergence: Amount of discretion or freedom that the server has to customize the service, e.g., the activities of an attorney contrasted with those of a paralegal

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Generic Approaches to Service System Design

- Production-Line Approach
 - Limited Discretionary Action of Personnel
 - Division of Labor
 - Substitution of Technology for People
 - Service Standardization
- Customer as Coproducer
 - Self-Service
 - Smoothing Service Demand
 - Customer-Generated Content
- Customer Contact Approach
 - Degree of Customer Contact
 - Separation of High- and Low-Contact Operations
 - Sales Opportunity and Service Delivery Options

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Structural Alternatives for a Restaurant

Lower Complexity/Divergence	Current Process	Higher Complexity/Divergence
No reservations	Take reservations	Specific table selection
Self-seating; menu on blackboard	Seat guests; give menus	Recite menu; describe entrées and specials
Self-serve water	Serve water and bread	Assortment of hot breads and hors d'oeuvres
Customer fills out form	Take orders	At table; taken personally by maitre d'
Pre-prepared; no choice	Salad bar	Salad (4 choices)
Limit entrée to 4 choices	Entrée (6 choices)	Expand to 10 choices; add flaming dishes; bone fish at table
Sundae bar; self-service	Dessert (6 choices)	Expand to 12 choices
Coffee, tea, milk only	Beverage (6 choices)	Add exotic coffees, wine list, liqueurs
Serve salad and entrée together; bill and beverage together	Serve orders	Separate-course service; sorbet between courses; hand-grind pepper
Cash only; pay when leaving	Cash or credit card	Choice of payment, including house accounts; serve mints

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