

Service Operations (SO)

Post Graduate Program 2015-16

Week 2

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6/26/2015

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SERVICE CLASSIFICATIONS

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Classifying by configuration

- B2C services
- B2B services
- Government services
- Not for profit services
- Internal services

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Nature of the service act

	Who or what is the direct recipient of the service?	
What is the nature of the service act?	People	Things
Tangible Actions	Services directed at people's bodies	Services directed at goods and other physical possessions
Intangible Actions	Services directed at people's mind	Services direct at intangible assets

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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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Relationship with customers

Nature of service delivery	Type of relationship between the service organization and the customer	
	“Membership” relationship	No formal relationship
Continuous delivery system	Eg) college enrollment, insurance, banking	Eg) police protection, radio station, public highway
Discrete Transactions	Eg) transit pass, long-distance phone calls	Eg) pay phone, car rental, restaurant, movie theater

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Managerial implications

- Company knows who its current customers are, their addresses, their preferences, their opinions on the service provided,
- Valuable for segmentation purposes & targeted marketing
- May be offered discount rates in return for continuous patronage
- Usually result in customer loyalty to a particular provider. Ex) Rewards cards, Costco membership
- Helps ensure repeat business
- Task = build sales and revenues through membership but avoid required membership and freezing out customers. Ex) Best Buy w/ Reward Zone
- Allows for better decisions in regard to pricing

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Customization and Judgment

		Extent to which service characteristics are customized	
Extent to which customer contact personnel exercise judgment in meeting individual customer needs		High	Low
High	Eg) legal services, taxi service, real estate agents, plumber	Eg) preventative health programs, education (large class)	
Low	Eg) hotel service, telephone service	Eg) public transportation, fast food restaurants, movie theaters	

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Managerial implications

- Customization is not necessarily important for success – sometimes the image of customization is enough.
 - Many people share the same experience.
 - People share the same service facility but still have some custom treatment. Ex) airlines use your name
- Customers like to know in advance what they are buying
 - Professional services the professional diagnosis the nature of the situation- can divide into two segments (diagnosis and implementation) to ease customer worries
 - Marketing focus on process of client-provider interactions. Ex) statement of qualifications

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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 reached 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
 - Nonforcastable 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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Method of Service Delivery

Nature of interaction between customer and service organization	Availability of service outlets	
	Single Site	Multiple Site
Customer goes to service organization	Ex) theatre, barbershop	Ex) bus service, fast food chain
Service organization comes to customer	Ex) lawn care service, pest control service, taxi	Ex) mail deliver, AAA emergency repairs
Customer and service organization transact at arms length (mail or e-communications)	Ex) credit card company, local t.v. station	Ex) broadcast network, telephone company

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Service Process classification

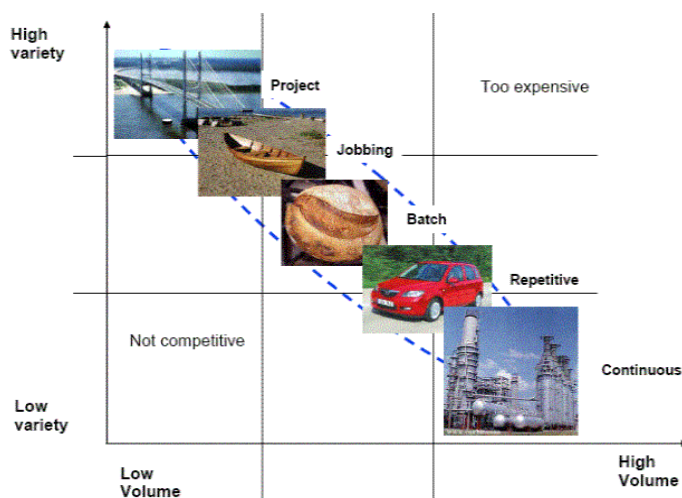
		Degree of interaction and customization	
Degree of labour intensity		Low	High
Low	Service Factory Airlines Trucking Hotels Resorts & recreation	Service Shop Hospitals Auto repair	
High	Mass Service Retailing Wholesaling Schools Retail banking	Professional service Doctors Lawyers Accountants Architects	

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Schmenner 1986₅

Product process matrix



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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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