Service operations management….and service concept (lecture continues)

High-Contact Services

- Customers visit service facility and remain throughout service delivery
- Active contact
- Includes most people-processing services

Low-Contact Services

- Little or no physical contact
- Contact usually at arm's length through electronic or physical distribution channels
- Facilitated by new technologies

⟷

Can be changed/adapted „from to" – operations management implications

Professional service

- High levels of customer (client) contact.
- Clients spend a considerable time in the service process.
- High levels of customization with service processes being highly adaptable.
- Contact staff are given high levels of discretion in servicing customers.
- People-based rather than equipment-based.

Service shops

- Medium levels of volumes of customers
- Medium, or mixed, levels of customer contact
- Medium, or mixed, levels of customization
- Medium, or mixed, levels of staff discretion.

Mass service

- High levels of volumes of customers
- Low to medium levels of customer contact
- Low, or mixed, levels of customization
- Low, or mixed, levels of staff discretion.

Slack a kol., 2009,

How Services Differ from Pure Products

I
H
I
P

paradigm

William
J. Regan
(1963)

Intangibility Cannot be seen, tasted, felt or smelled before purchasing	Inseparability Production and, consumption, and from the provider
Heterogeneity (variablility) Service quality depends on who provides and under what conditions	Perishability Cannot be stored, for resale or later use

IHIP paradigm of services

	Common understanding in literature
	Characteristics of services applied to services as a single entity
Intan-gibility	• Not being palpable or material • A good is an object, a device, a thing; a service is a deed a performance, an effort
Hetero-geneity	• Difficulty in standardizing services • Related to 1) outcome, 2) production performance of different producers or persons, 3) over a certain period of time or 4) participation of customers
Insepa-rability	• Production and consumption occur simultaneously • Service provider is often physically present when consumption takes place • Services are first sold, then produced and consumed simultaneously, whereas goods are first produced, then sold and afterwards consumed
Perish-ability	• The performance does not fix or realize itself in any particular subject or vendible commodity • The unavailable option of storing or stockpiling services

- Critique – e.g.: Moeller, S. (2010). Characteristics of services–a new approach uncovers their value. *Journal of services Marketing*, 24(5), 359-368. – source of the Table

Challenges Posed by Services *- Table 1.2*

Differences	Implications	Marketing-Related Tasks – also operations
▪ Most service products cannot be inventoried	▪ Customers may be turned away	▪ Use pricing, promotion, reservations to smooth demand; work with ops to manage capacity
▪ Intangible elements usually dominate value creation	▪ Harder to evaluate service & distinguish from competitors	▪ Emphasize physical clues, employ metaphors and vivid images in advertising
▪ Services are often difficult to visualize & understand	▪ Greater risk & uncertainty perceived	▪ Educate customers on making good choices; offer guarantees
▪ Customers may be involved in co-production	▪ Interaction between customer & provider; but poor task execution could affect satisfaction	▪ Develop user-friendly equipment, facilities & systems; train customers, provide good support

Challenges Posed by Services *- Table 1.2*

Difference	Implications	Marketing-Related Tasks
▪ People may be part of service experience	▪ Behavior of service personnel & customers can affect satisfaction	▪ Recruit, train employees to reinforce service concept ▪ Shape customer behavior
▪ Operational inputs and outputs tend to vary more widely	▪ Hard to maintain quality, consistency, reliability ▪ Difficult to shield customers from failures	▪ Redesign for simplicity and failure proofing ▪ Institute good service recovery procedures
▪ Time factor often assumes great importance	▪ Time is money; customers want service at convenient times	▪ Find ways to compete on speed of delivery; offer extended hours
▪ Distribution may take place through nonphysical channels	▪ Electronic channels or voice telecommunications or…any suitable digital channels	▪ Create user-friendly, secure websites and free access by telephone

THE SERVUCTION MODEL

Other customers

Servicescape

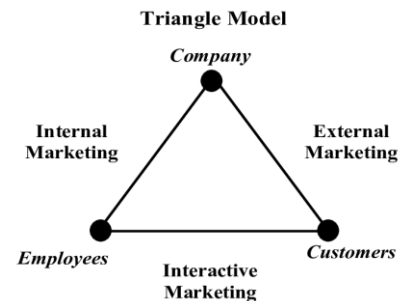Customer

Invisible organizations and systems

Contact personnel/ Service providers

✓ Depicts the factors that influence the service experience.
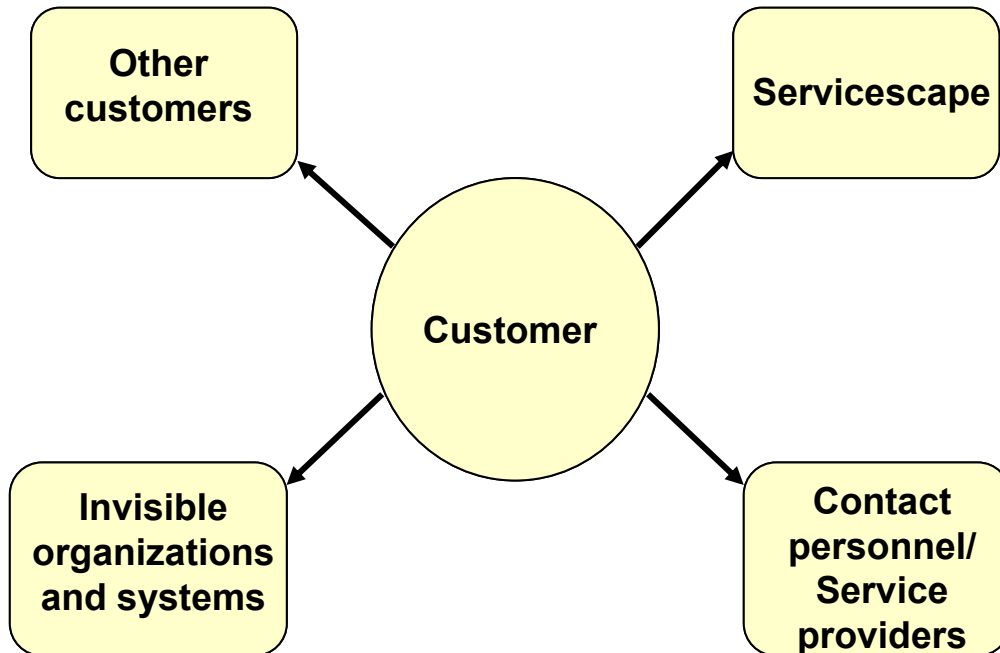✓ Consumers (active or passive) are an integral part of the service process.
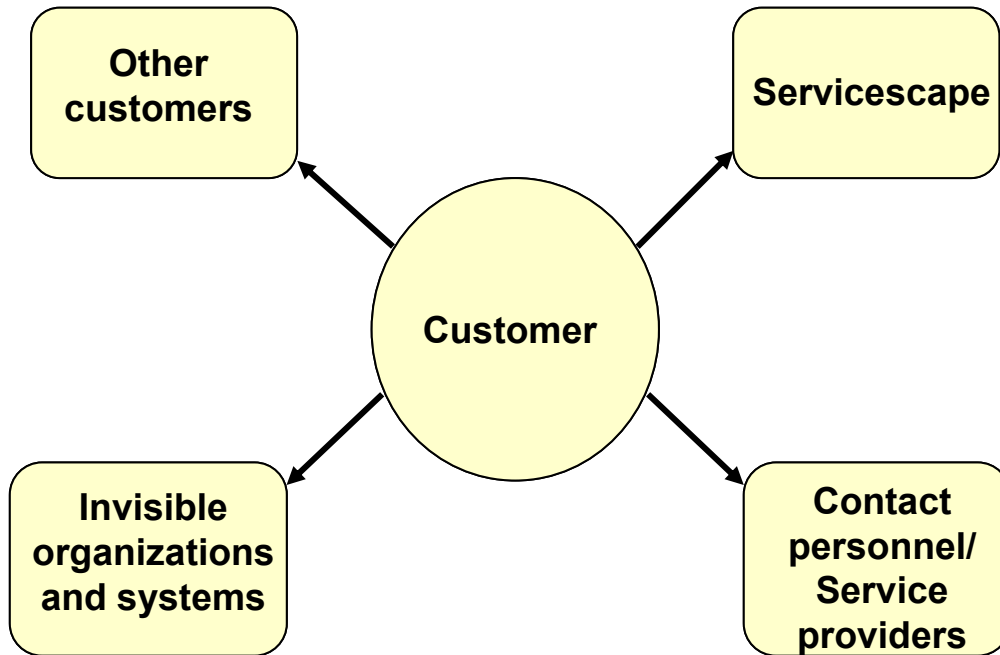
Other models – esp. For marketing mng purpose – with operations mng. implications
- Service Triangle Management Framework
- Molecular Model (Shostack, G. L. (1977). Breaking free from product marketing. *Journal of marketing*, *41*(2), 73-80.)
- Services triangle Marketing model
- Six market model

Triangle Model

Company

Internal Marketing

External Marketing

Employees

Interactive Marketing

Customers

Internal Markets

Supplier/ Alliance Markets

Referral Markets

CUSTOMER MARKETS

Recruitment Markets

Influence Markets

THE SERVUCTION MODEL

Contact personnel
Eg. Parking attendants, Receptionist, hostesses
Service providers
Eg. Waiter, Dentist, Physician, Instructors

Complaints:
* *Apathy*
* *Brush-off* ... the "I want you to go away" syndrome
* *Coldness*
* *Condescension* The "you are the client/patient, so you must be stupid" approach
* *Robotism*
* *Rulebook*… Providers who live by the rules of the organization even when those rules do not make good sense
* *Runaround* … Passing the customer off to another provider, who will simply pass them off to yet another provider.

THE SERVUCTION MODEL
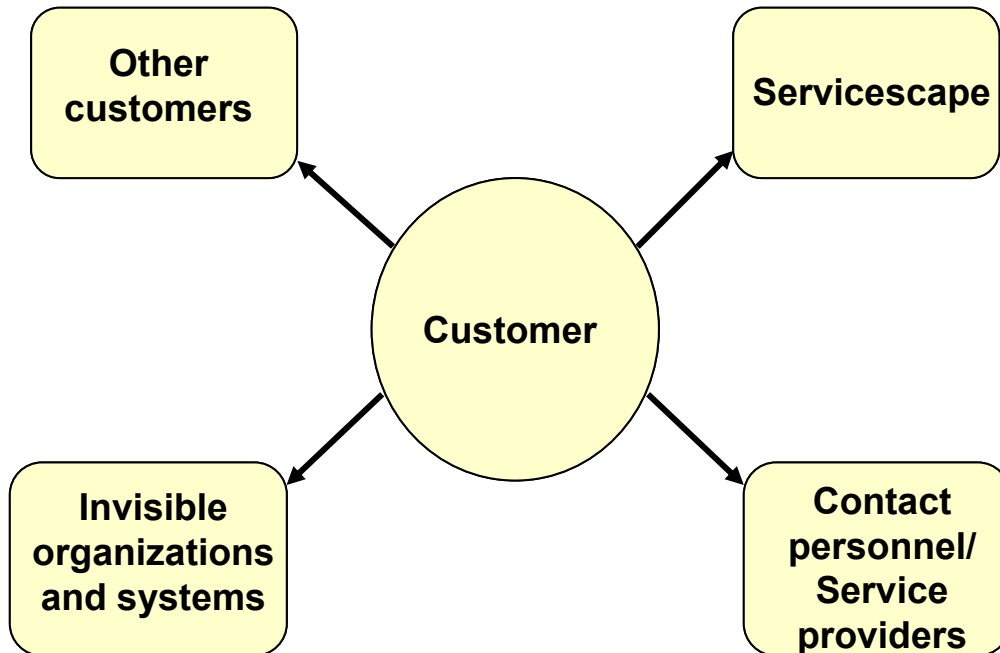
Invisible organisation systems

Rules, regulations & processes upon which organisation is based.

Services are evaluated both on process and outcomes.

Other customers (active or passive)

Other customers can have a profound impact on an individual's service experience.

THE SERVUCTION MODEL
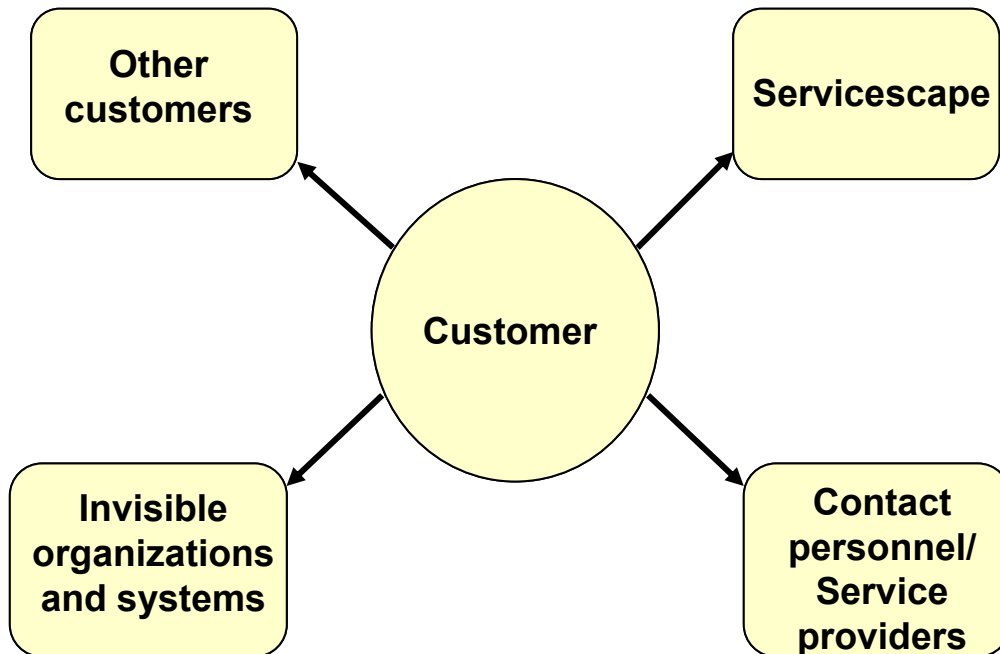
Servicescape

Use of physical evidence to design service environment

- Ambient conditions
  Eg. Room temperature& Music
- Inanimate Objects
  Eg. Assist firm in completing tasks such as furnishings & business equipment
- Physical evidence
  Eg. Sign / symbols and personal artifact

Effects:
- „Packaging" the service
- Facilitating the service delivery process
- Socializing customers and employees
- Differentiating the firm from its competitors

Strategic Planning
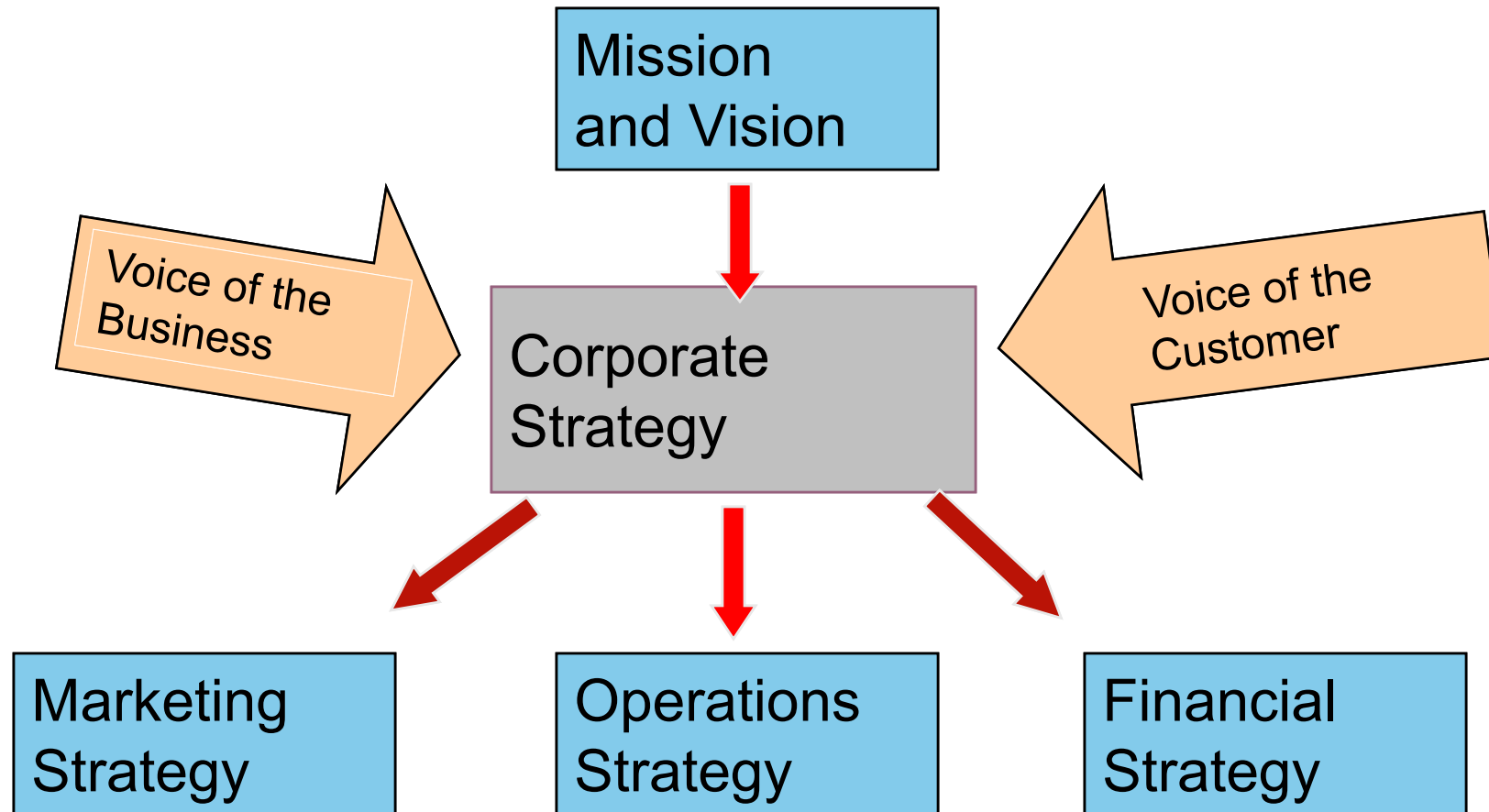
Role of operations strategy

'operations' is not the same as 'operational'

1. Implementing business strategy
2. Supporting business strategy
3. Driving business strategy (?)

Strategy and Operations

- Strategy
  - Provides direction for achieving a mission

- Five Steps for Strategy Formulation
  - Defining a primary task
    - What is the firm in the business of doing?
  - Assessing core competencies
    - What does the firm do better than anyone else?
  - Determining order winners and order qualifiers
    - What qualifies an item to be considered for purchase?
    - What wins the order?
  - Positioning the firm
    - How will the firm compete?
  - Deploying the strategy

Competitive Priorities

- Cost
- Quality
- Flexibility
  - product design flexibility
  - product mix flexibility
  - production volume flexibility
  - process flexibility
  - staff flexibility
  - facilities flexibility
  - delivery flexibility ……
- Innovation
- Speed…….

Operations management is the art of creating and delivering value. The task for operations is to find the balance between maximising the value for customers and minimising the cost to the organisation; that is, striking a profitable or in-budget balance between:

● maximising the benefits to the consumer,
● minimising the financial and sacrificial costs to the customer, and
● minimising the cost to the organisation.

Efficiency, Effectiveness, and Value

Efficiency

- Doing something at the lowest possible cost

Effectiveness

- Doing the right things to create the most value for your customer

Value

- The attractiveness of a product relative to its cost

Competitiveness and Productivity (cont.)

Single Factor-Productivity		
$\dfrac{\text{Output}}{\text{Labor}}$	$\dfrac{\text{Output}}{\text{Materials}}$	$\dfrac{\text{Output}}{\text{Capital}}$

Multifactor Productivity	
$\dfrac{\text{Output}}{\text{Labor + Materials + Overhead}}$	$\dfrac{\text{Output}}{\text{Labor + Energy + Capital}}$

Total Factor Productivity

$$\dfrac{\text{Goods and services produced}}{\text{All inputs used to produce them}}$$

Measures of Productivity

Productivity Increase

- **Become efficient**
  - output increases with little or no increase in input
- **Expand**
  - both output and input grow with output growing more rapidly
- **Achieve breakthroughs**
  - output increases while input decreases
- **Downsize**
  - output remains the same and input is reduced
- **Retrench**
  - both output and input decrease, with input decreasing at a faster rate

Productivity and Competitiveness (cont.)

- Assumption that more input would cause output to increase at the same rate
  - certain limits to the amount of output may not be considered
  - *output produced* is emphasized, not *output sold*; increased inventories

Service Sector Productivity

- Service sector productivity is difficult to measure and manage because
  - It involves intellectual activities
  - It has a high degree of variability
- A useful measure related to productivity is *process yield*
  - Where products are involved
    - ratio of output of good product to the quantity of raw material input.
  - Where services are involved, process yield measurement is often dependent on the particular process:
    - ratio of cars rented to cars available for a given day
    - ratio of student acceptances to the total number of students approved for admission.

SERVICE CONCEPT

Service concept

- = 'service in the mind' = a mental picture of the service provided by the organization (in mind of both the service provider and customer…and other stakeholders)

- Real picture and expected picture - sometimes radically different from either what is intended and expected or what is designed and experienced (more: GAP Model – Theme „Service quality")

- = capturing the nature of a service so that customers know what they are getting and staff understand what they are providing

- the sum of relative utility inherent in each component of the service bundle offered to the consumer

- 'what' of the customer and the 'how' of the provider - detailed layout of what the customers want and how they want it delivered

- the organisational proposition to customers

- the customer's perception and opinion of the process and the total result that "constitutes the service", forms the perception of quality and determines if the customer is satisfied or not. Moreover, the result is sometimes valued not only by the specific customer but also by people who just happen to be around

- covers both the description of the customer needs to be satisfied and how they are to be satisfied in the form of the content of the service or the design of the service package, e.g. expressed in terms of core service and supporting services. The service concept is a detailed description of what is to be done for the customer (-- what needs and wishes are to be satisfied) and how this is to be achieved (= the service offer)

- the unifying factor of service marketing and service operations deliverables

- = can also be used to help develop new services

Service concept in context
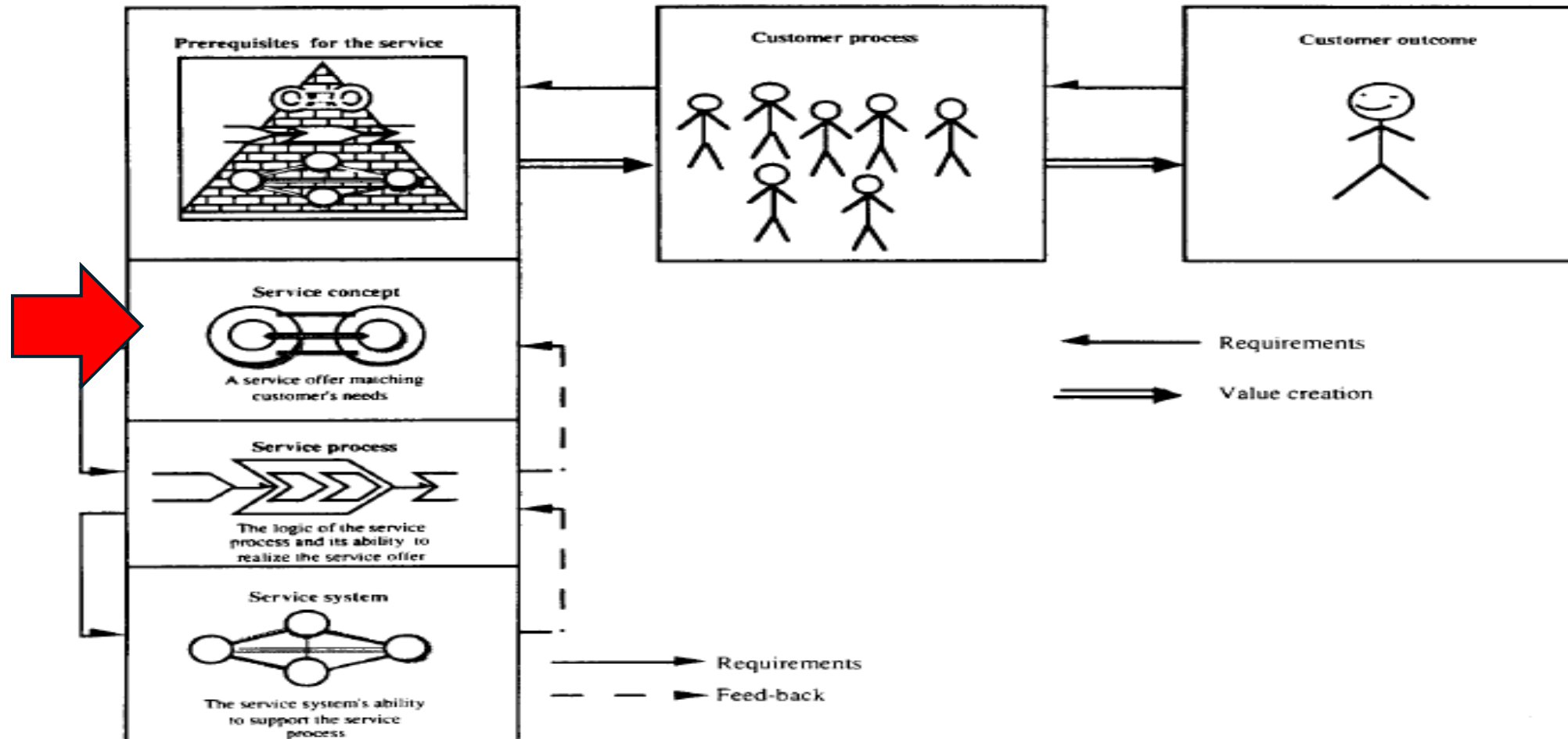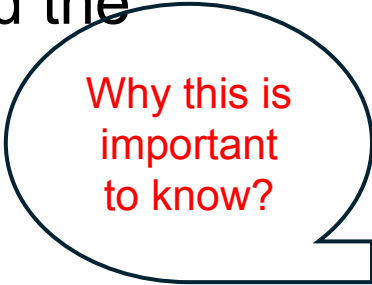
Fig. 8. Result of service development: prerequisites for customer outcome and customer processes.

Service concept

- Any definition of the service concept must answer the following three questions:

  - What are the important elements of the services to be provided, stated in terms of results, produced for the customer, for the employee and the company?

  - How are these elements supposed to be perceived by the target market segment? By the market in general? By the employee? By others?

  - What efforts does this suggest in terms of designing, providing, delivering and marketing the service?

Why this is important to know?

Service concept
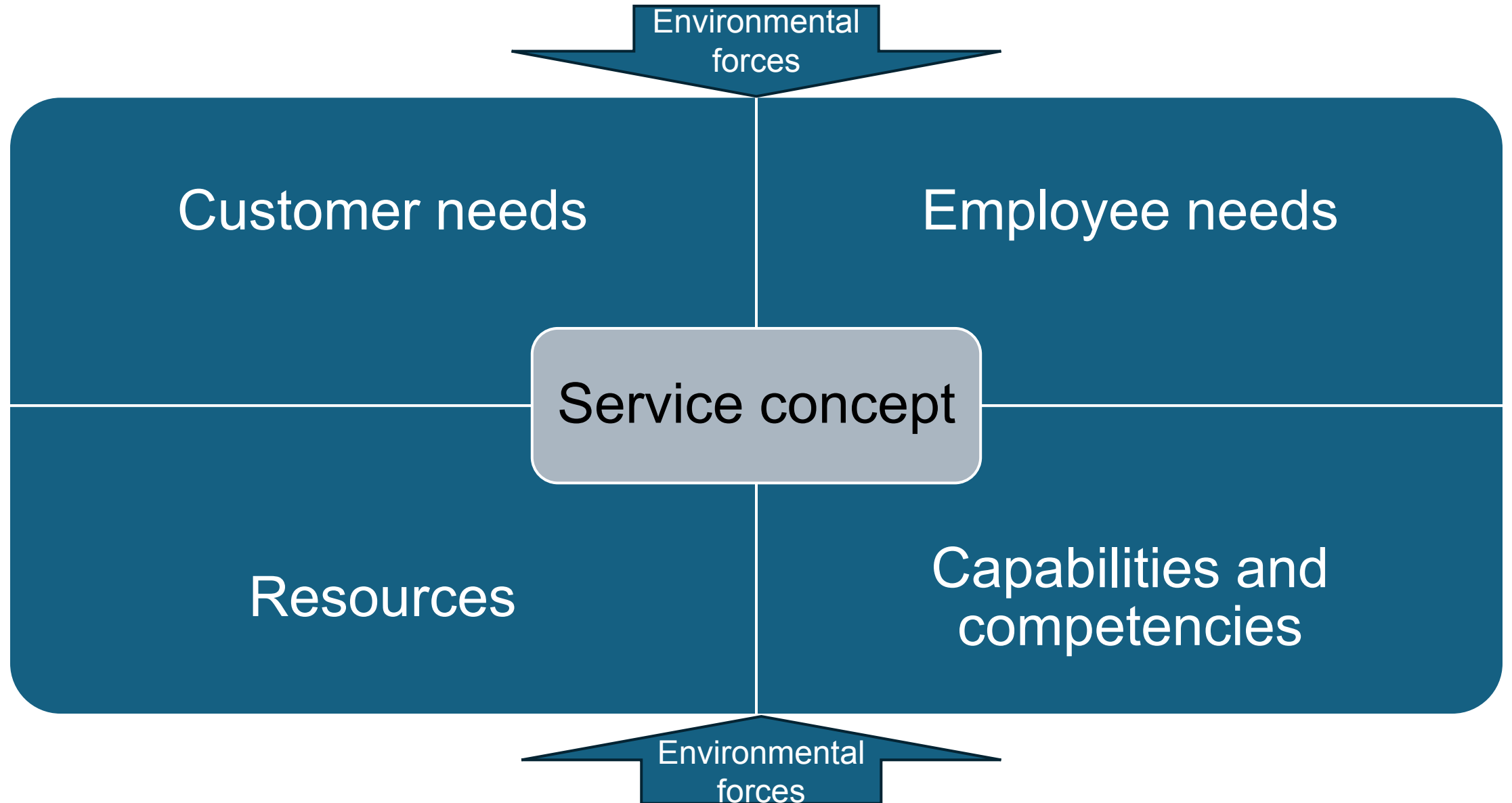
Service concept

- Harmony between the front-office operations and the back-office operations

- Front-office = direct interactions with customers

- Back-office = supporting activites for service provision and delivery

Service concept

- a **shared** and **articulated** understanding of the nature of the service provided and received, which should capture information about:

- ✍ **The organising idea** – the essence of the service bought, or used, by the customer - reminding the service provider what the customer is really buying, and therefore provides focus for resource allocation and service design. It acts as a 'magnifying glass' helping the organisation focus on what is important + for potential investors

✍ **The service provided** – the service process and its outputs which have been designed, created and enacted by the operation using its many input resources, including the customer.

✍ **The service received:**

- **The customer experience** – the customer's direct and personal interpretation of, and response to, their interaction with and participation in the service process, and its outputs, involving their journey through a series of touch points/steps.

- **The service outcomes** – the results for the customer of the service process and their experience including 'products', benefits, emotions, judgements and intentions

Service concept

Figure 3.1 Alton Towers' service concept

Figure 3.2 IT Infrastructure Support Group's service concept

Why and for what is such description beneficial?

Service concept – reason to work with

- What do we offer?

- Do customers need it, want it, appreciate it?

- What can we improve, change/innovate?

- What capability we have to change/improve it?

Figure 3.4 Capability mapping at TECLAN

Figure 3.3 Changing the service concept of a museum of geology
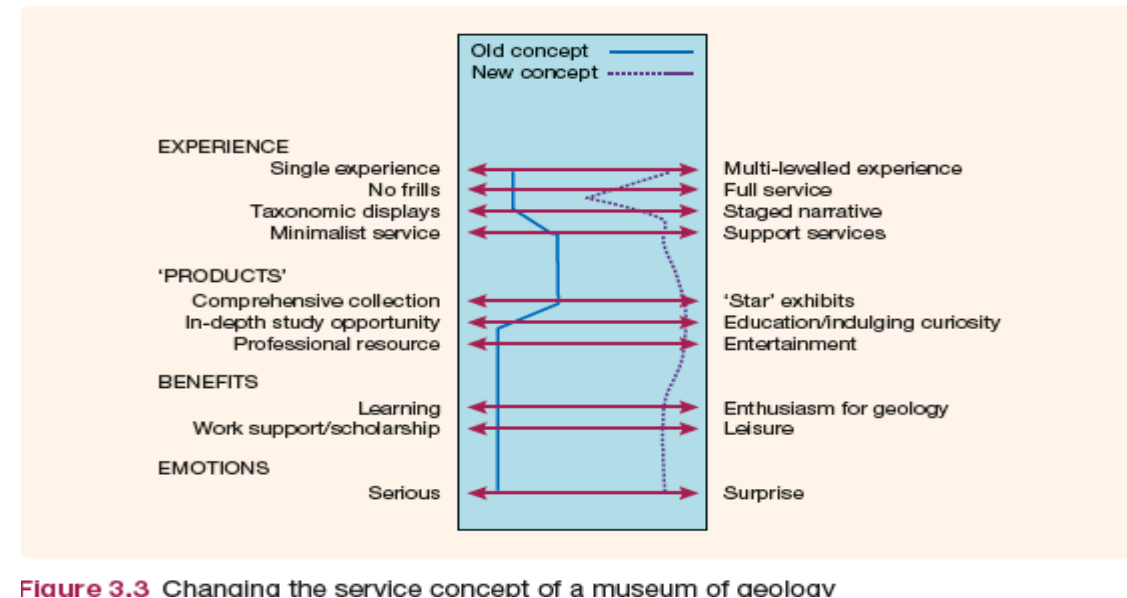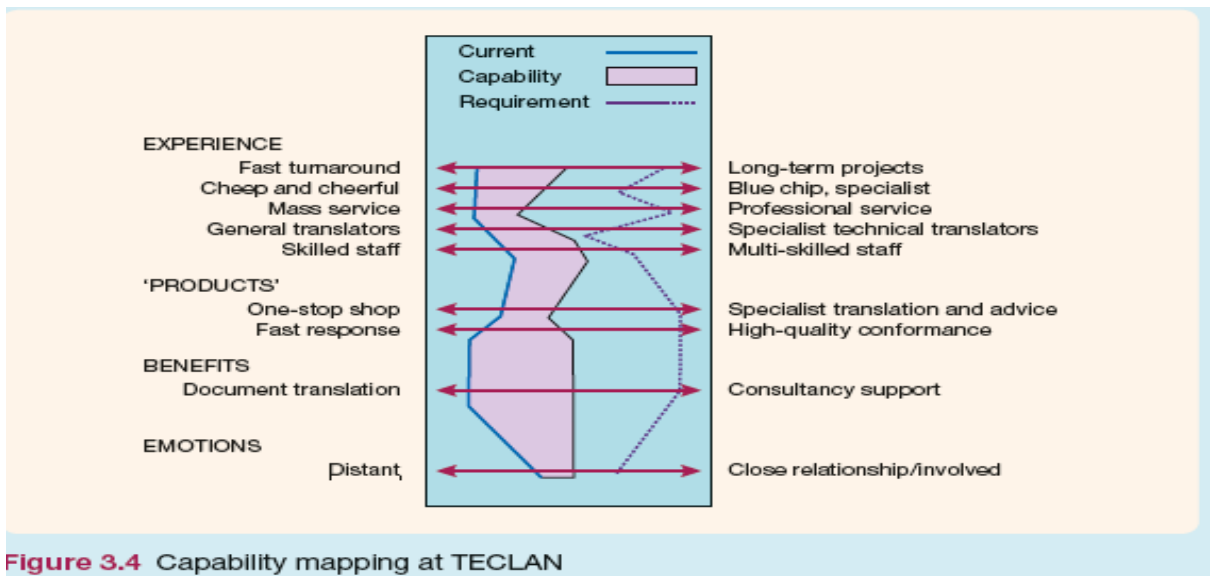
Service concept = service package

- a bundle of goods and services with information that is provided in some environment

- *1. Supporting facility.* The physical resources that must be in place before a service can

be offered. Examples are a golf course, a ski lift, a hospital, and an airplane.

- 2. *Facilitating goods.* The material purchased or consumed by the buyer, or the items provided by the customer. Examples are golf clubs, skis, food items, replacement auto parts, legal documents, and medical supplies.

- 3. *Information.* Data that is available from the customer or provider to enable efficient and customized service. Examples include electronic patient medical records, airline Web site showing seats available on a flight, customer preferences from prior visits, GPS location of customer to dispatch a taxi, and Google map link on a hotel Web site.

- 4. *Explicit services.* The benefits that are readily observable by the senses and that consist of the essential or intrinsic features of the service. Examples are the absence of pain after a tooth is repaired, a smooth-running automobile after a tuneup, and the response time of a fire department.

- 5. *Implicit services.* Psychological benefits that the customer may sense only vaguely, or the extrinsic features of the service. Examples are the status of a degree from an Ivy League school, the privacy of a loan office, and worry-free auto repair.
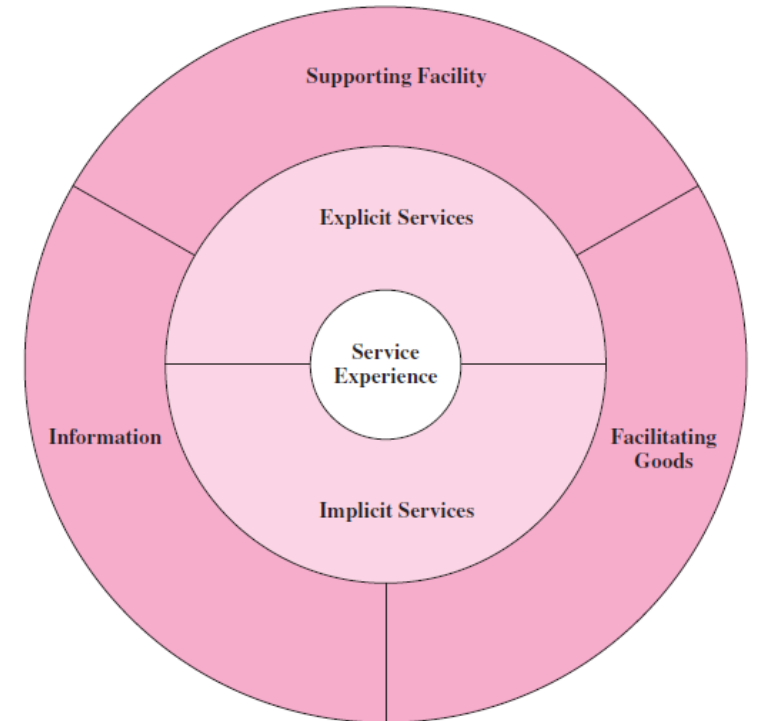
TABLE 2.3 Criteria for Evaluating the Service Package

Supporting Facility
1. *Location:*
   Is it accessible by public transportation?
   Is it centrally located?
2. *Interior decorating:*
   Is the proper mood established?
   Quality and coordination of furniture.
3. *Supporting equipment:*
   Does the dentist use a mechanical or air drill?
   What type and age of aircraft does the
     charter airline use?

4. *Architectural appropriateness:*
   Renaissance architecture for university campus.
   Unique recognizable feature of a blue tile roof.
   Massive granite facade of downtown bank.
5. *Facility layout:*
   Is there a natural flow of traffic?
   Are adequate waiting areas provided?
   Is there unnecessary travel or backtracking?

Facilitating Goods
1. *Consistency:*
   Crispness of french fries.
   Portion control.
2. *Quantity:*
   Small, medium, or large drink.

3. *Selection:*
   Variety of replacement mufflers.
   Number of menu items.
   Rental skis available.

Information
1. *Accurate:*
   Up-to-date customer addresses.
   Correct credit report.
2. *Timely:*
   Severe storm warning.

3. *Useful:*
   X-ray to identify a broken bone.
   Inventory status.

Explicit Services
1. *Training of service personnel:*
   Is the auto mechanic certified by the National
   Institute for Automotive Service Excellence
     (NIASE)?
   To what extent are paraprofessionals used?
   Are the physicians board certified?
2. *Comprehensiveness:*
   Discount broker compared with full service.
   General hospital compared with clinic.
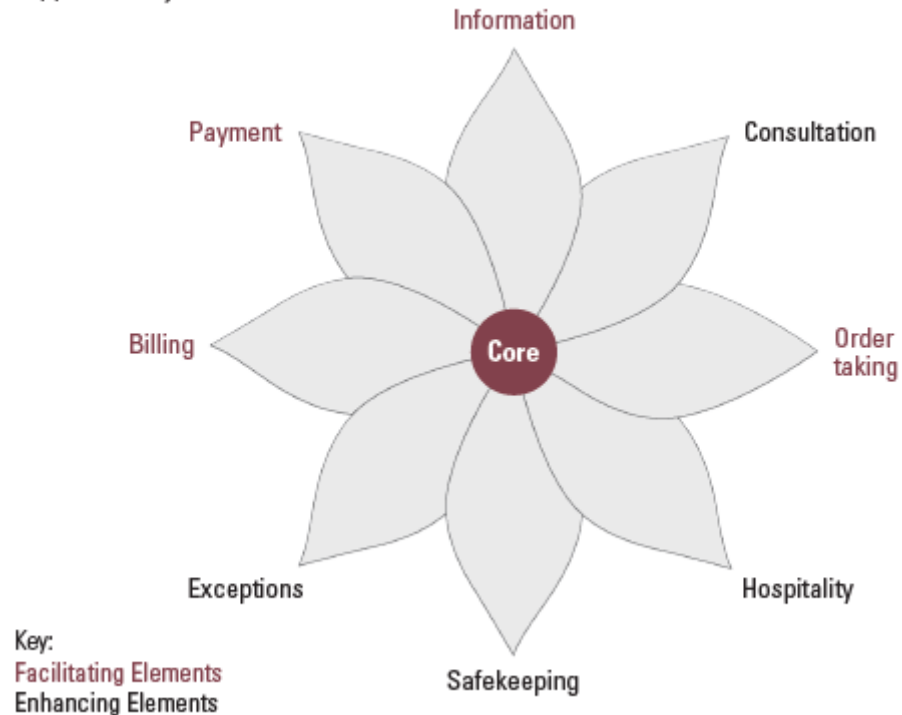
3. *Consistency:*
   Airline's on-time record.
   Professional Standards Review Organization
     (PSRO) for doctors.
4. *Availability:*
   Twenty-four-hour ATM service.
   Is there a Web site?
   Is there a toll-free number?

Implicit Services
1. *Attitude of service:*
   Cheerful flight attendant.
   Police officer issuing traffic citation with tact.
   Surly service person in restaurant.
2. *Atmosphere:*
   Restaurant decor.
   Music in a bar.
   Sense of confusion rather than order.
3. *Waiting:*
   Joining a drive-in banking queue.
   Being placed on hold.
   Enjoying a martini in the restaurant bar.

4. *Status:*
   College degree from Ivy League school.
   Box seats at sports event.
5. *Sense of well-being:*
   Large commercial aircraft.
   Well-lighted parking lot.
6. *Privacy and security:*
   Attorney advising client in private office.
   Magnetic key card for hotel room.
7. *Convenience:*
   Use of appointments.
   Free parking.

Service concept = service flower

- Core product delivers the main benefits and solutions customers look for

- Facilitating supplementary services such as information, order taking, billing, and payment are needed for service delivery or they help in the use of the core product.

- Enhancing supplementary services add value for the customer. They include consultation, hospitality, safekeeping, and dealing with exceptions.

Figure 4: The Flower of Service: Core product surrounded by cluster of supplementary services

Information

Payment

Consultation

Billing

Core

Order taking

Exceptions

Hospitality

Key:
Facilitating Elements
Enhancing Elements

Safekeeping

What the service concept is not

- **Vision, mission, idea or a brand**

- **The service promise.** The promise defines what the organisation will do for the customer – which may not be what the customer wants.

- **The business proposition.** The business proposition defines the way in which the organization would like to have its services perceived by all its stakeholders - however, customers may perceive the nature of the service in a different way.

- **The 4 and more Ps** (marketing mix) – Deconstructing a service in this way is helpful in that it allows us to identify the various elements of a concept, check them against customers' needs, design and deliver those elements and measure performance against them. However, this 'bits and pieces' approach belies the complexity of many services and also ignores the fact that customers' perceptions of service are more intangible.

- **Business model.** A business model describes how an organisation achieves its financial goal. This helps describe the value part of the service concept and some of the operations too, but it misses out on the more emotional level of the customer experience.

An Open-Systems View of Services

Service organizations are sufficiently unique in their character to require special management approaches that go beyond the simple adaptation of the management techniques found in manufacturing a product. The distinctive characteristics suggest enlarging the system view to include the customer as a participant in the service process. As Figure 2.9 shows, the customer is viewed as an input that is transformed by the service process into an output with some degree of satisfaction.

FIGURE 2.9
Open-Systems View of Service Operations
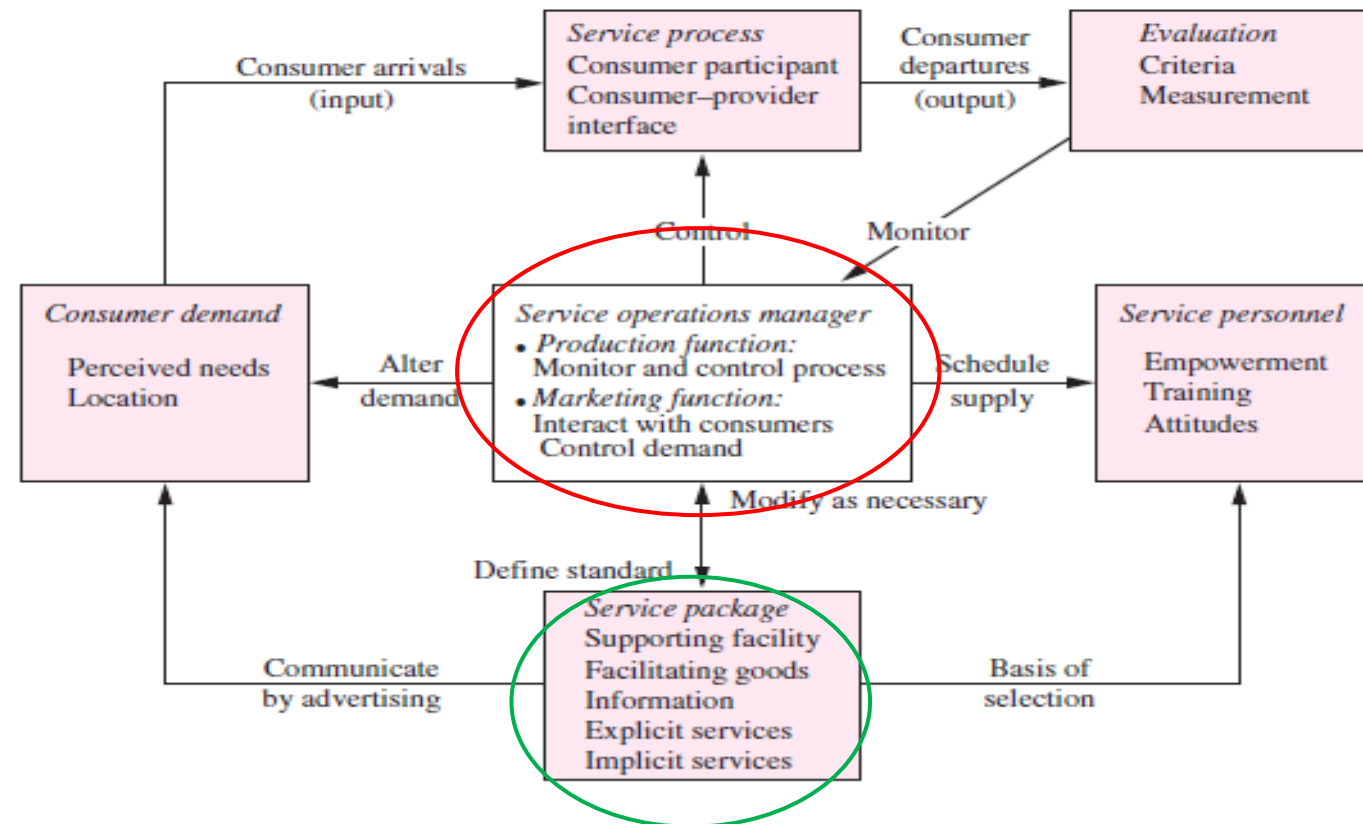
Service concept – basis for service design

Proposed service design planning model (Goldstein et al, 2022)
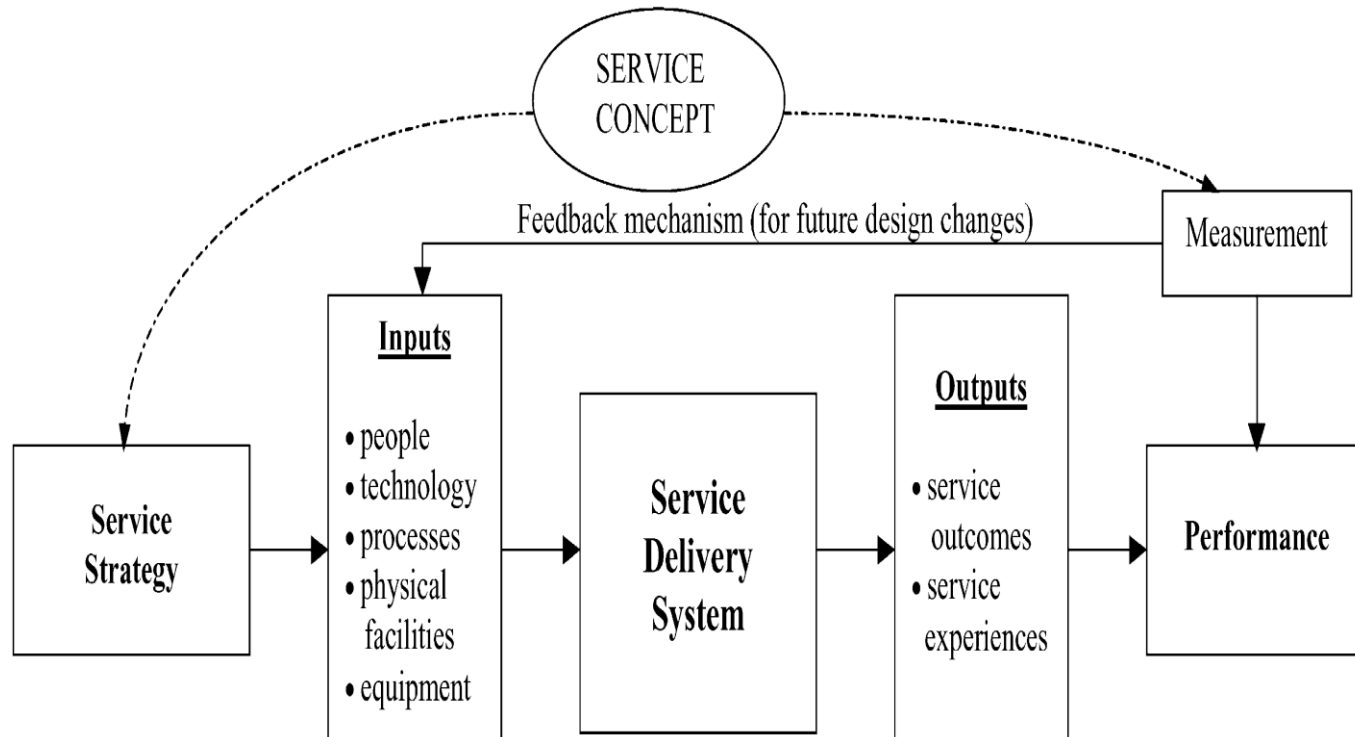
- Feedback loop is missing – recovery
- Circular economy logic is missing – „returns"