# Services Management

- *Introduction to Service*
- Categorizing Service Processes
- Service as a process
- Managing Service Encounters

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# Reference Text

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- Service Marketing and Management- Christopher H. Lovelock, Lauren k. Wright

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# Service Sector In Indian Economy

- India's large **service industry** accounts for **57.2%** of the country's GDP while the industrial and agricultural sectors contribute 28.6% and 14.6% respectively.

- Agriculture is the predominant occupation in Rural India, accounting for about 52% of employment. The **service sector makes up a further 34% of employment**, and industrial sector around 14%.

- Information technology and BPO are among the fastest growing sectors.

# Service Sector contribution in India's GDP



Chart 1: GDP growth headed lower

■ Services  ■ Industry  ■ Agriculture

Source : CSO, HDFC Sec Institutional Research

# Service Sector Composition

The various sectors that combine together to constitute service industry in India are:

- Transport (Air, Water, Rail, Road)
- Hospitality (Hotels and Restaurants)
- Communication (Post, Telecom, Internet, IT/ ITES)
- Banking & Insurance
- Other Transport & Storage
- Real Estate
- Business Services
- Public Administration; Defence
- Health Care, Fitness
- Community Services
- Media and Entertainment Services

# Learning objectives

- Introduction, What are characteristics of services?

- In what ways Services are classified?

- Service as a process: What is each service organization actually processing?

- What are the different categories in which these processes are categorized and their relevance to consumers?

- What are 'Service Encounters' and how to manage them successfully?

- What are different levels of customer participation as co-producers of services?

# Warm-up Session

Think and enlist as many services as you can which you have availed in the last one month..

List you favorite service brands in those categories…

How do you buy a service and consume it??

Are services *Intangible, perishable, customized, interactive, heterogeneous* ??
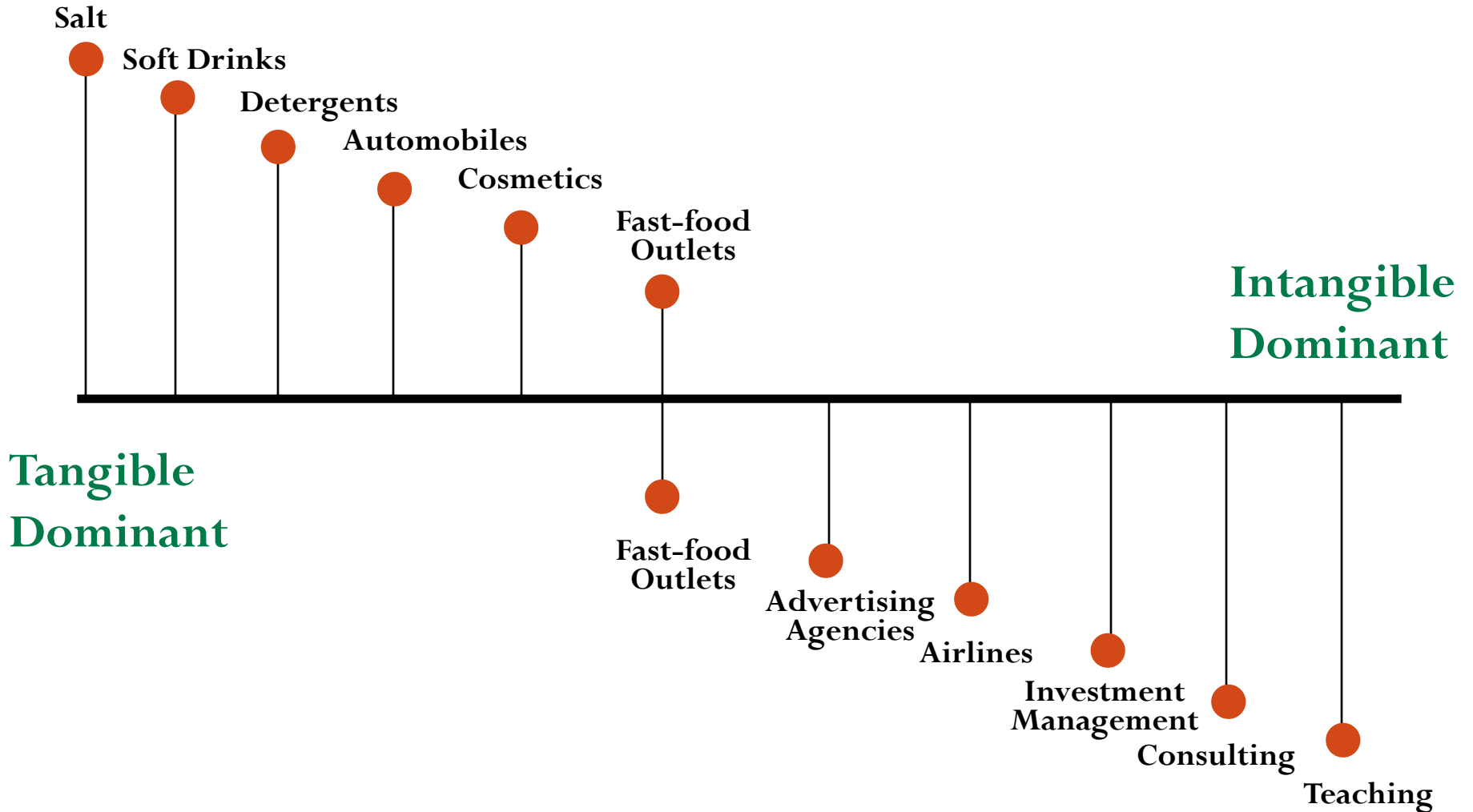
# Characteristics of Services Compared to Goods

| | |
|---|---|
| **Intangibility** | **Heterogeneity** |
| **Simultaneous Production and Consumption (Inseparability)** | **Perishability** |

# Tangibility Spectrum

Salt

Soft Drinks

Detergents

Automobiles

Cosmetics

Fast-food Outlets

**Tangible Dominant**

**Intangible Dominant**

Fast-food Outlets

Advertising Agencies

Airlines

Investment Management

Consulting

Teaching

# Traditional Marketing Mix

- All elements within the control of the firm that communicate the firm's capabilities and image to customers or that influence customer satisfaction with the firm's product and services:
  - Product
  - Price
  - Place
  - Promotion

# Expanded Mix for Services -- The 7 Ps

- Product
- Price
- Place
- Promotion
- **People**
  - All human actors who play a part in service delivery and thus influence the buyer's perceptions: namely, the firm's personnel, the customer, and other customers in the service environment.
- **Physical Evidence**
  - The environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.
- **Process**
  - The actual procedures, mechanisms, and flow of activities by which the service is delivered—the service delivery and operating systems.

# Expanded Marketing Mix for Services

| Product | Place | Promotion | Price |
|---|---|---|---|
| Physical good features | Channel type | Promotion blend | Flexibility |
| Quality level | Exposure | Salespeople | Price level |
| Accessories | Intermediaries |    Selection | Terms |
| Packaging | Outlet locations |    Training | Differentiation |
| Warranties | Transportation |    Incentives | Discounts |
| Product lines | Storage | Advertising | Allowances |
| Branding | Managing channels |    Media types | |
| | |    Types of ads | |
| | | Sales promotion | |
| | | Publicity | |
| | | Internet/Web strategy | |

| People | Physical Evidence | Process |
|---|---|---|
| Employees | Facility design | Flow of activities |
|    Recruiting | Equipment |    Standardized |
|    Training | Signage |    Customized |
|    Motivation | Employee dress | Number of steps |
|    Rewards | Other tangibles |    Simple |
|    Teamwork |    Reports |    Complex |
| Customers |    Business cards | Customer |
|    Education |    Statements | involvement |
|    Training |    Guarantees | |

# Ways of Classifying Services

- **Degree of tangibility or intangibility of service process** (food service v/s net banking)

- **Direct recipient of service process** (hair-cut v/s dry-cleaning clothes)

- **Place & time of service delivery** (hotel v/s courier at home)

- **Customization versus standardization** (taxi or cab v/s bus service)

- **Nature of relationship with customers** [personal (bank) v/s unidentified (TV broadcast)]

- **Extent to which demand & supply is managed** (fluctuations like rush in supermarkets at weekend)

- **Extent to which facilities, equipments, people are part of service experience**. (class-room v/s ATM card)

# Service as a Process

- A process involves transforming inputs into output.
- Two broad categories are processed in services: **people** & **objects**.
- People Processing: Where people as a customer themselves are involved in process.
- Objects Processing: Where objects are involved in process.

# Categorizing Service Processes

**People Processing**: Involves tangible action to people's bodies. Eg. Passenger transportation

**Possession processing**: Tangible action to any object or possession belonging to customer. Eg. Repairing PC

**Mental Stimulus Processing**: Intangible actions directed at people's minds. Eg. entertainment

**Information Processing**: Intangible action directed at people's assets. Eg. Consulting, insurance

# Management Challenges for Different Processes

- Identifying Service benefits

- Designing Service factory

- Finding alternative channels for service delivery

- Balancing Supply and Demand

- Making most of the IT

- Seeing people as part of the product

| Type of Processing | Implications for Manager |
|---|---|
| **People Processing** | •Seek active cooperation from customer<br>•Thinking about process & output in terms of what happens to customer<br>•Process helps to identify some non-financial costs like physical effort incurred by customer |
| **Possession Processing** | On-site (home service)/ off-site (at service centre), output should be a satisfactory solution to customer's problem or some tangible enhancement of the item or possession |
| **Mental Stimulus Processing** | •Seeks customer's mental attention to make the service delivery more effective.<br>•Information can be stored on physical media and packaged and marketed as a tangible product |
| **Information Processing** | Services highly dependant on effective collection & processing of information, involves informational input from customer like law, market research, medical diagnosis etc.. |

# Activity # 1

- List one of your service experience as a consumer under each of the four categories of service processing to differentiate among the types of processing involved and tangible/intangible benefits involved in availing that service.

# Service Encounters

- Transactional interaction between <u>customers and service employees</u>, either in person or by phone.

- Service encounters may also take place between <u>customers & physical facilities</u> or equipments.

- Types of service on this basis:

- **High contact services** (contact with humans more)

- **Low contact services** (more contact with automated machines)

# Moment of Truth

- "A point in service delivery where customers interact with service employees or self-serve equipment and the outcome may affect perceptions of service quality."

# Elements of Service Encounter

| Service Personnel | Service facilities & Equipments | Non-personal communications | Other People |
|---|---|---|---|
| Sales Representative | Building exteriors, Parking, landscaping | Form letters | Fellow customers encountered during service delivery |
| Customer service staff | Building interiors and furnishing | Brochures/ catalogs instruction manuals | Word of mouth comments from friends, strangers |
| Accounting/ billing staff | Vehicles | Advertising | |
| Operations staff | Self-service equipments operated by customers | Signage | |
| Designated intermediaries | Other equipments | News stories/ editorials | |

## **Critical Incidents** in Service Encounters

- It is a specific encounter between customer & service provider in which the outcome has proved especially satisfying or dissatisfying for one or both parties.

- **CIT (Critical incident Technique)**: A methodology for collecting, categorizing & analyzing critical incidents that have occurred.

- **<u>Implications for Managers</u>**

- Negative Critical incidents satisfactorily resolved have great potential of enhancing loyalty.

- Findings from CIT can be helpful in pinpointing opportunities for future improvements in service delivery process.

# Level of Customer Participation

| LOW | MODERATE | HIGH |
|---|---|---|
| Customer presence required during service delivery | Customer input required for service creation | Customer coproduces the service product |
| Product is standardized | Customer inputs (information, material) | Active client participation mandatory |
| Payment may be only required customer input | Client input customize standardized service | Customer inputs coproduces the outcome |
| Eg. Airline travel | Annual physical check-up | Career counseling |
| B-2-B customer | Self-service restaurant | Weight-reduction program |

## Increasing productivity when customers are Co-producers

- **Conduct a "job analysis" of customers' present role** in business & compare it to the roles that firm would like them to play

- Determine if customers are aware of how they are expected to perform

- **Motivate customers** by ensuring that they will be rewarded for performing well (eg. Satisfaction from better quality & more customized output)

- **Regularly appraise customer's performance**. If unsatisfactory, try to change their role or procedures in which they are involved.

# Activity # 2

- Think of a time when as a customer, you had a particularly satisfying or dissatisfying experience with either service personnel or service facilities.

- When did incident occurred?

- What specific circumstances led to the situation?

- Exactly what did the employee say or do?

- What resulted that made you feel the interaction was satisfying/dissatisfying?