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INTRODUCTION SERVICE AND SERVICES PROCESSES

Service Operations Management

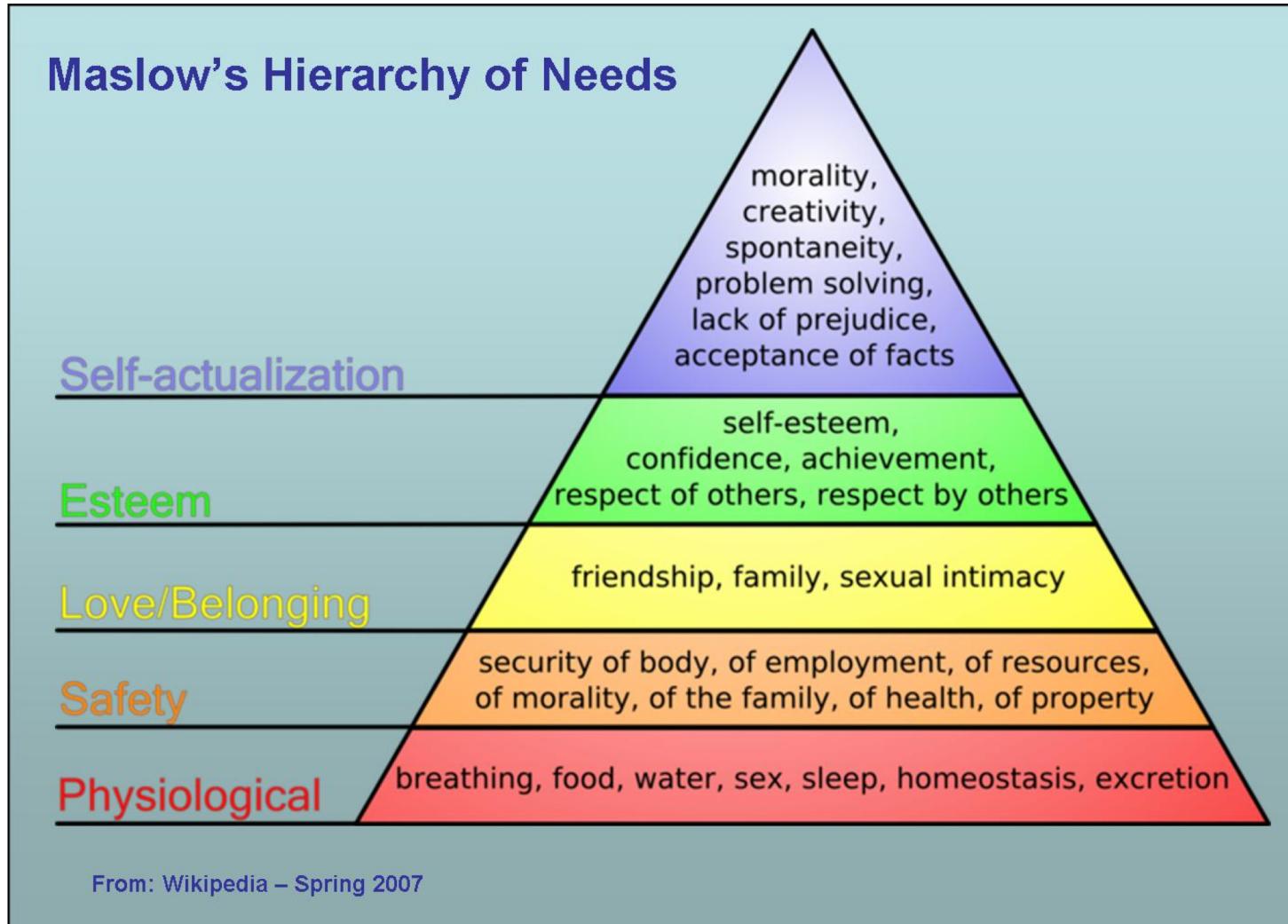
Alberto PORTIOLI STAUDACHER
Dipartimento Ing. Gestionale
Politecnico di Milano
Dep. Management, Economics and Industrial Engineering
alberto.portioli@polimi.it

This material and what the Professors say in class are intended for didactical use only and cannot be used outside such context, nor to imply professors' specific believes or opinion

Causes of Service growth

- Social and demographic trend
 - Evolution of needs
 - Welfare
 - Entertainment
- ICT
 - Services to distribution and communication
- Globalisation
 - Transport, tourism
 - Services for industrial companies
- Outsourcing
 - Services for industrial companies

Satisfying different needs



Which is the difference between a product and a service?

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Unique Characteristics of Services

- Intangibility: creative advertising, no patent protection, importance of reputation
- Customer Participation in the Service Process: attention to facility design but opportunities for co-production
- Simultaneity: opportunities for personal selling, interaction creates customer perceptions of quality
- Perishability: cannot inventory, opportunity loss of idle capacity, need to match supply with demand
- Heterogeneity: customer participation in delivery process results in variability

Service processes

The process is one key element to define a service delivery system.
It can be classified:

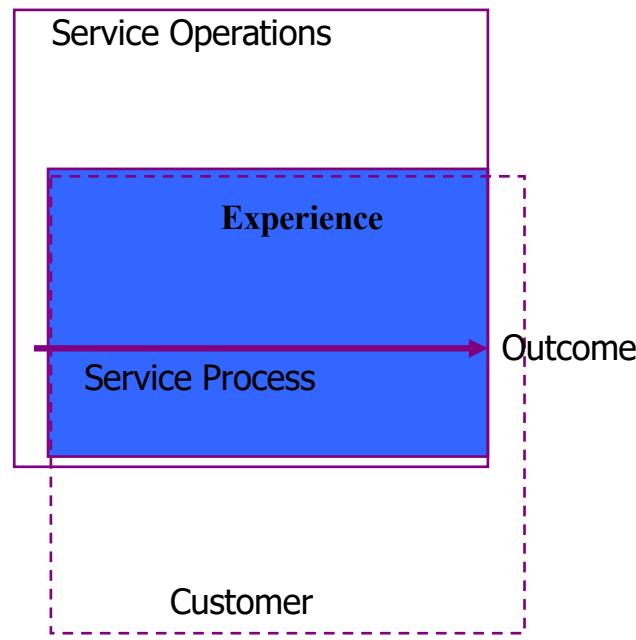
- Visible Vs not Visibel to the customer
- Volume Vs Variety
- Processing: people, objects, information

Processes can have many differences which are the basis for competitive advantage

Operations system characteristics

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- 1. Interaction with customer (Front Office Vs Back Office)**
 2. Volume to handle vs Variety offered
 3. Variability (of demand, of capacity) and uncertainty

Front-Office focused Operations

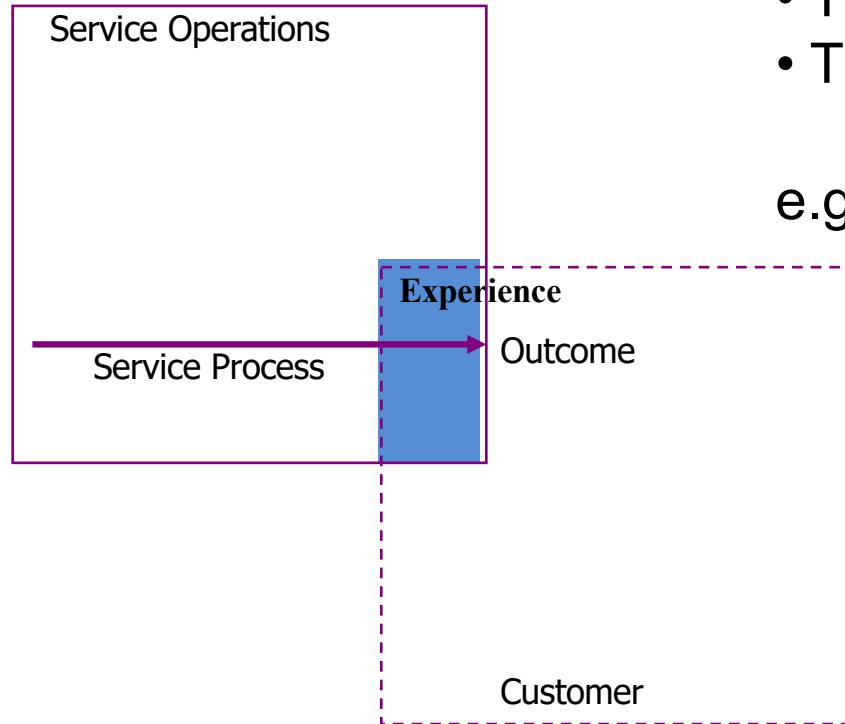


- The experience part is very strong
- Customer management is essential
- Important outcome

Ex. Cinema, Entertainment park

Typically, when the outcome is taken for granted and it's not differentiated (commodity), more attention is given to the experience

Back-Office focused Operations

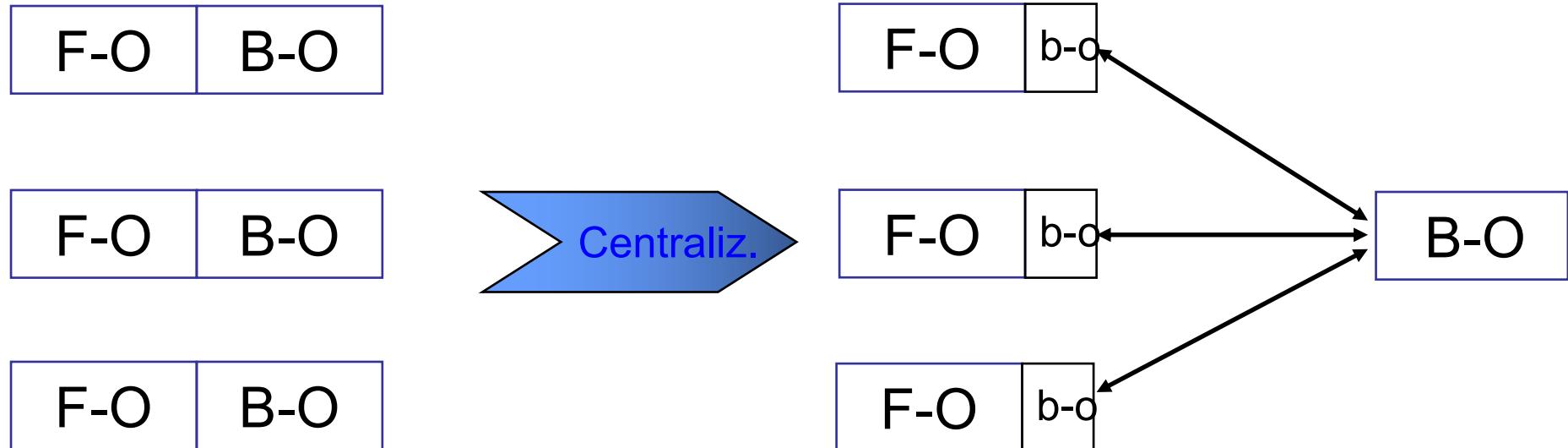


- The experience part is less important
- The outcome is essential

e.g. Postal service

Centralization

Decoupling Back-Office activities allows to centralize them



Centralization



Pros:

- No interruptions (efficiency)
- Fast decrease along the experience curve
- Specialization of activities (thanks to volume)
- Lower manpower cost
- Possibility to follow personal attitudes
- Less volume variability
- Thanks to high volume:
 - Economies of scale
 - Automation, with advantages in terms of cost and quality

Centralization



Cons:

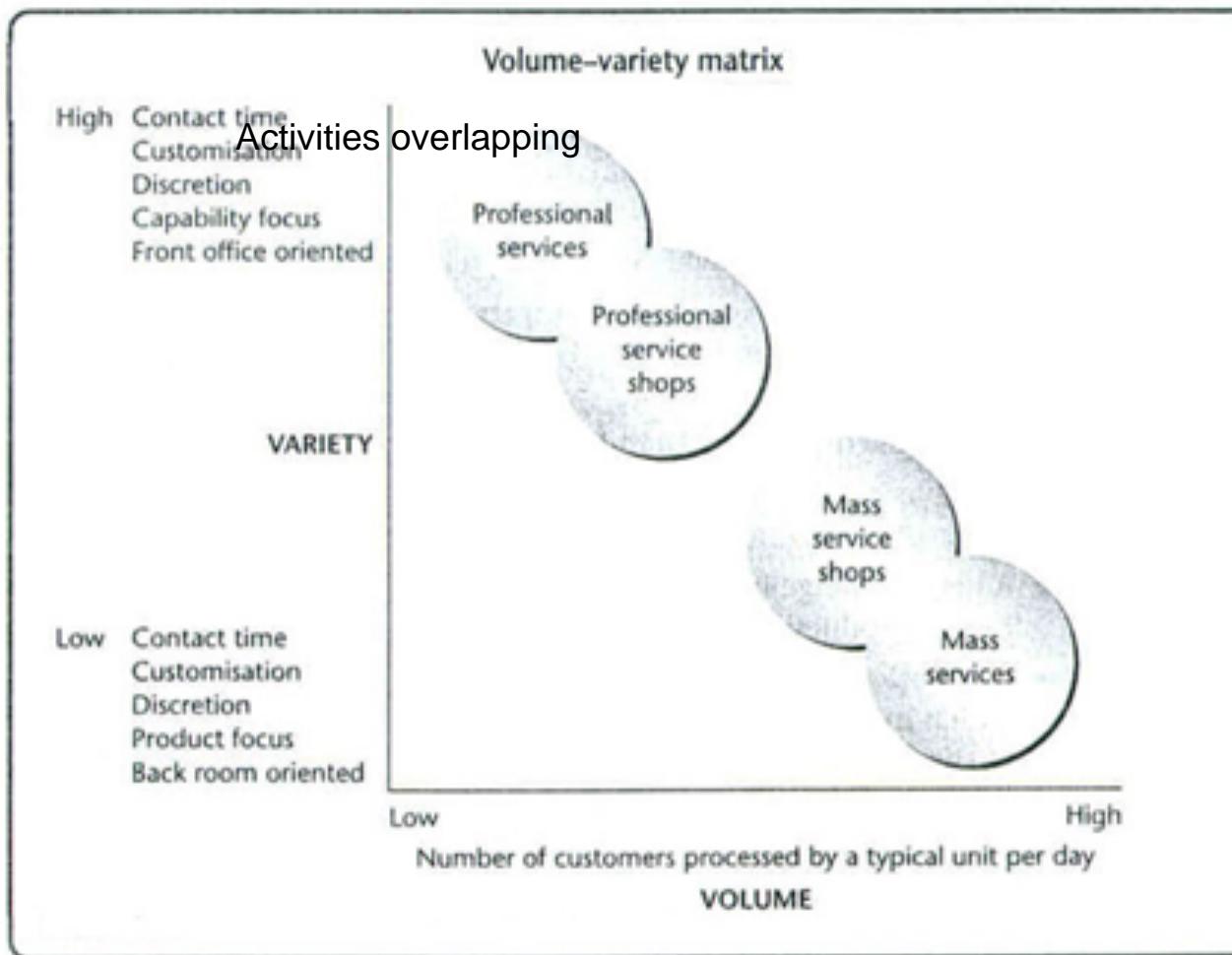
- Possible GAP with the Front-Office
- Activities overlapping
- Longer lead times
- Greater rigidity
- Inability to keep a product base approach, therefore switching to an activity based approach

Operations system characteristics



1. Interaction degree with customer (Front Office Vs Back Office)
2. **Volume to handle vs Variety offered**
3. Variability (of demand, of capacity) and uncertainty

Volume-Variety matrix



Mass services

- High volume of transactions for each server/unit
- Standardised process
- Short interaction with the customer (focus on back-office)
- Attention to productivity
- Attention to conformance
- Automation / informative systems
- Competences embedded in the system
- Process innovation

Professional services

- Low volume of transactions for server/unit
- Not well defined/standardised process
- Longer interaction with the customer
- Attention to provide solutions
- Product innovation
- People's competences and abilities are a critical asset

Professional service shop

Professional service shops are the development of the Professional services as dimension increases!

- Request of increasing efficiency without loosing customization
- Request of knowledge sharing (embedded in the system)
- Development of a “house style”
- Decreasing of the discretion degree
- Creation of semi-professional roles
- Development of roles dedicated to interactions with the customer

Mass service shops

Mass service shops are the development of mass services towards a broader service offer!

- Increasing of mix offered (trying not to loose the strict control over the process)
- Increasing of the front office discretion degree (trying to not worsen conformance)
- The Front Office people need to develop the ability to understand customer's needs (in order to offer the right service)

Possible users



What use can be done of this classification?

- Verify inner coherence: coherence between levers
- Verify external coherence: with the value offered on the market
- Compare different Units / Businesses
- Manage change

Understanding variety

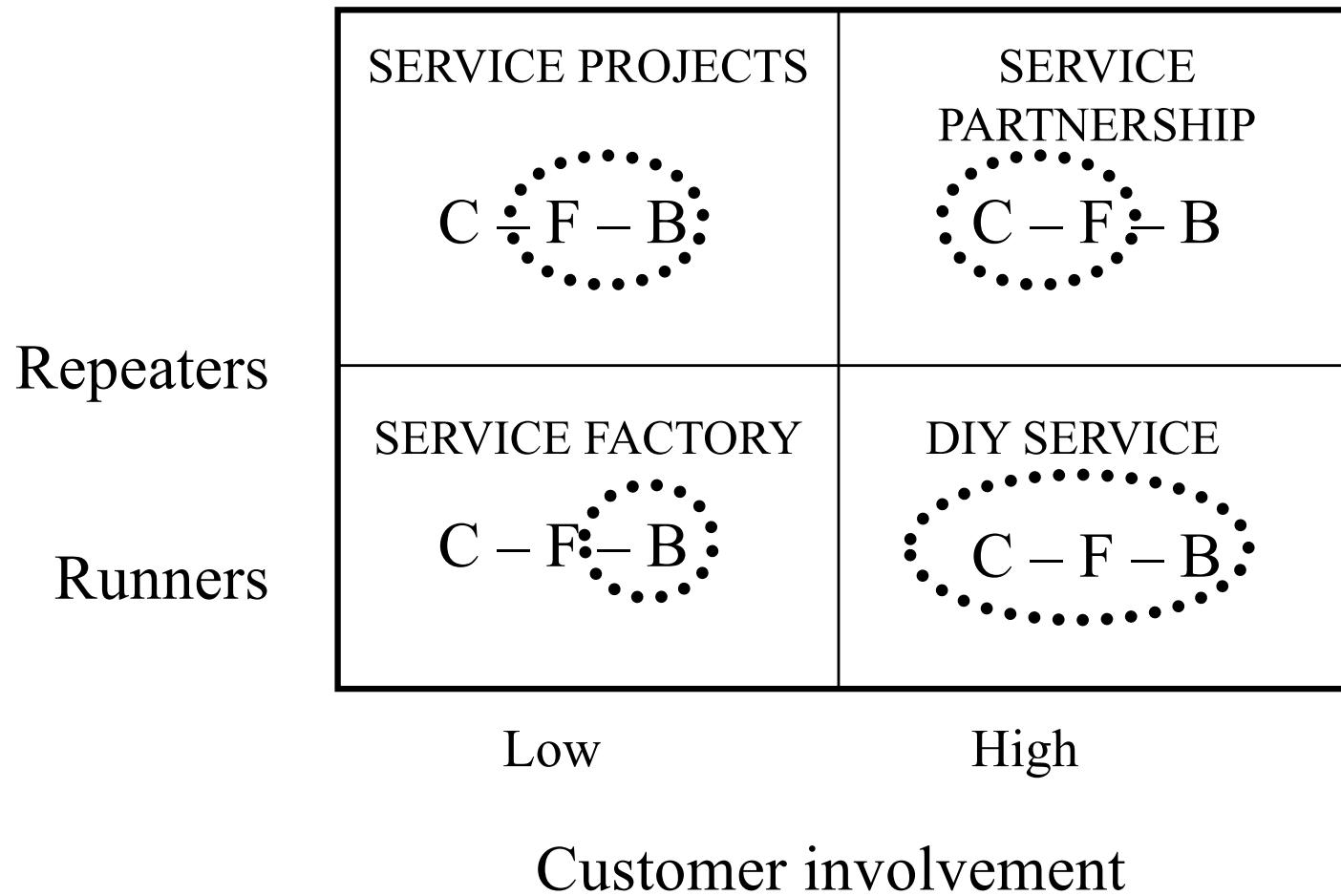
To better understand the variety degree that the process needs to manage, it is possible to divide service requests as:

- **Runners** Requests that always need the same operations/activities. Often foreseeable and in remarkable volumes. opportunity for automation and process review.
- **Repeaters** Requests that refer to known activities, but clustered in a different way. Not so much foreseeable and in medium/low volume. They are expected events, but not frequent.
- **Strangers** Requests that need the design of new activites. Often a bit foreseeable. They are the exceptions: NOT expected occurances.

Often there's a simultaneous factors presence

Service	Runners	Repeaters	Strangers
Car Service	Oil change Tyre replacement	Gear box repair	Product recall Electronic malfunctioning
Airline	Check-in In flight service Maintenance	Overbooking	Hijacking
Hospital	Routine surgery Operating book Rehabilitation	Post-surgery complication	New surgical technology

Where to focus



Operations system characteristics

- 
1. Interaction degree with customer (Front Office Vs Back Office)
 2. Volumes to handle vs Variety offered
 3. **Variability (of demand, of capacity) and uncertainty**

Variability and uncertainty



Variability is the gap between the actual value and the average value

Uncertainty is the gap between the actual value and the expected value

Manage variability

Not explained variability causes uncertainty

Corollary

uncertainty can be reduced by explaining variability: thus it is possible to reduce uncertainty and simply have variability

Variability hides phenomena

2 types of variability:

- Determined by the company → control/remove it
- Outer variability → limit the effect

20% of the products/services generates 80% of variability

If it's not possible to remove variability, isolate it!

Manage variability



- In a service system, variability has to be managed at the **front office**
- The greater the variability, the greater the competences and discretion needed by front office
- A system based on command and control is very inefficient (and often even ineffective) in managing variability



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