

# The key concepts of service management

Creating value with services

# Syllabus

## 1. Understand the key concepts of service management

### 1.1 Recall the definition of:

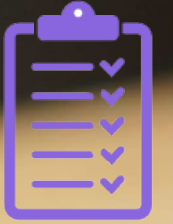
- a) Service
- b) Utility
- c) Warranty

### 1.2 Describe the key concepts of creating value with services:

- a) Cost
- b) Value
- d) Outcome
- e) Output
- f) Risk
- g) Utility
- h) Warranty

### 1.3 Describe the key concepts of service relationships:

- b) Service relationship management
- c) Service provision
- d) Service consumption





# What you will learn



By the end of this section, you will be able to:

- Describe the key concepts of **creating value with services**, including **outcome, output, cost, risk, utility**, and **warranty**.
- Recall the definitions of **utility** and **warranty**.



# Do you recall?



## How is value created?

- There was a time when organizations saw their role as **delivering value** to their customers in much the way that a package is delivered to a building by a delivery company.
- This view treated the **relationship** between the **service provider** and the **service consumer** as one-directional and distant.



# Value co-creation

Value co-creation  
requires collaboration  
between the **provider** and  
the **consumer**;  
they have a mutually  
beneficial,  
**interactive relationship.**



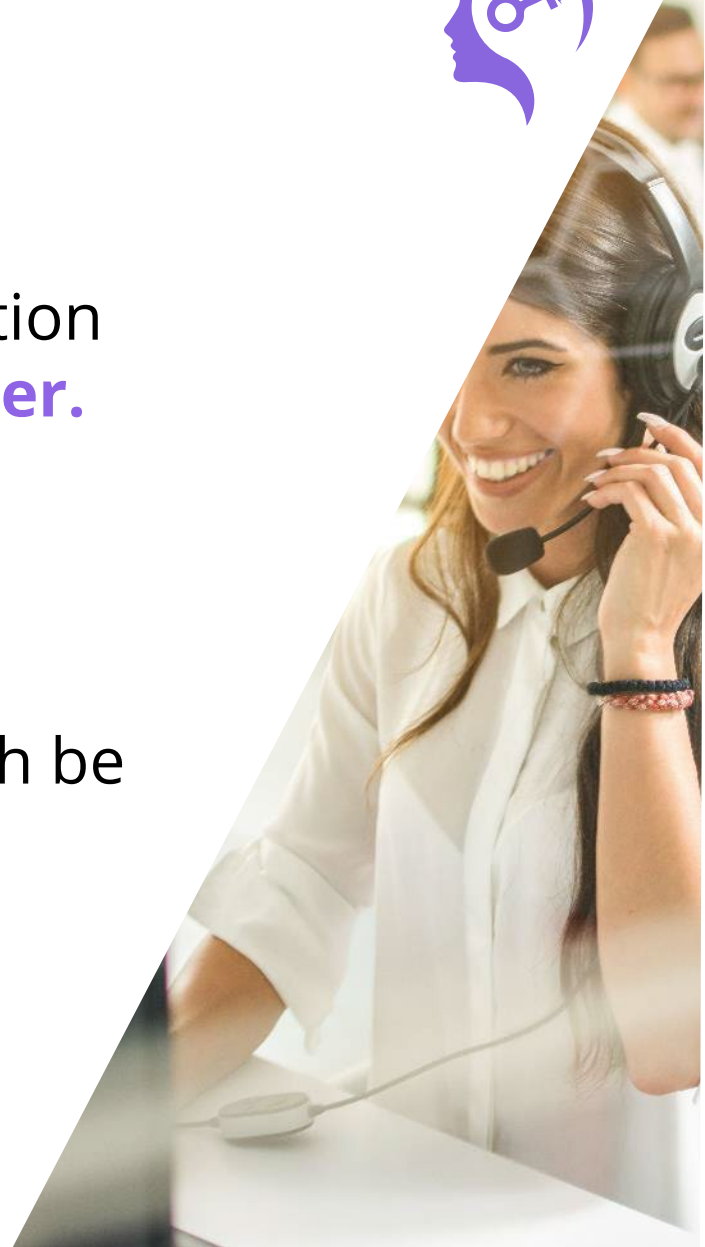


# Service provider



When **provisioning services**, an organization undertakes the role of the **service provider**.

The provider can be external to the **consumer's organization**, or they can both be part of the same organization.



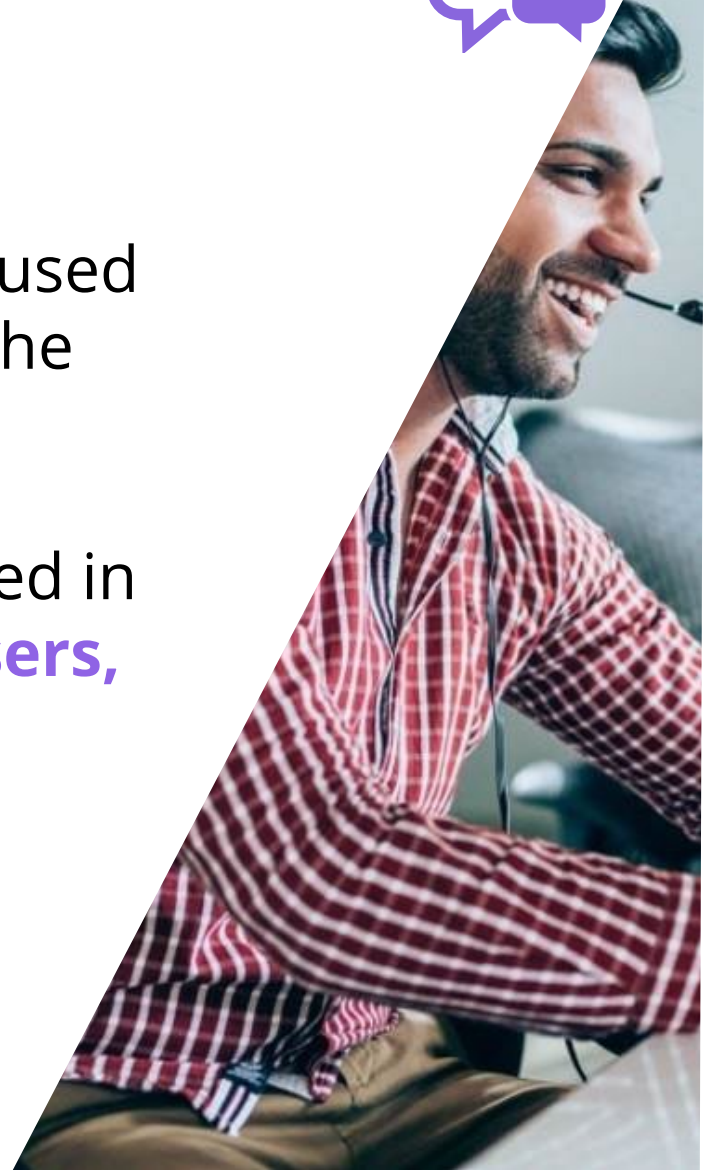
# What are service consumers?



The **service consumer** is a generic role that is used to simplify the definition and description of the structure of **service relationships**.

In practice, there are more specific roles involved in **service consumption**, such as **customers, users,** and **sponsors**.

These roles can be separate or combined.

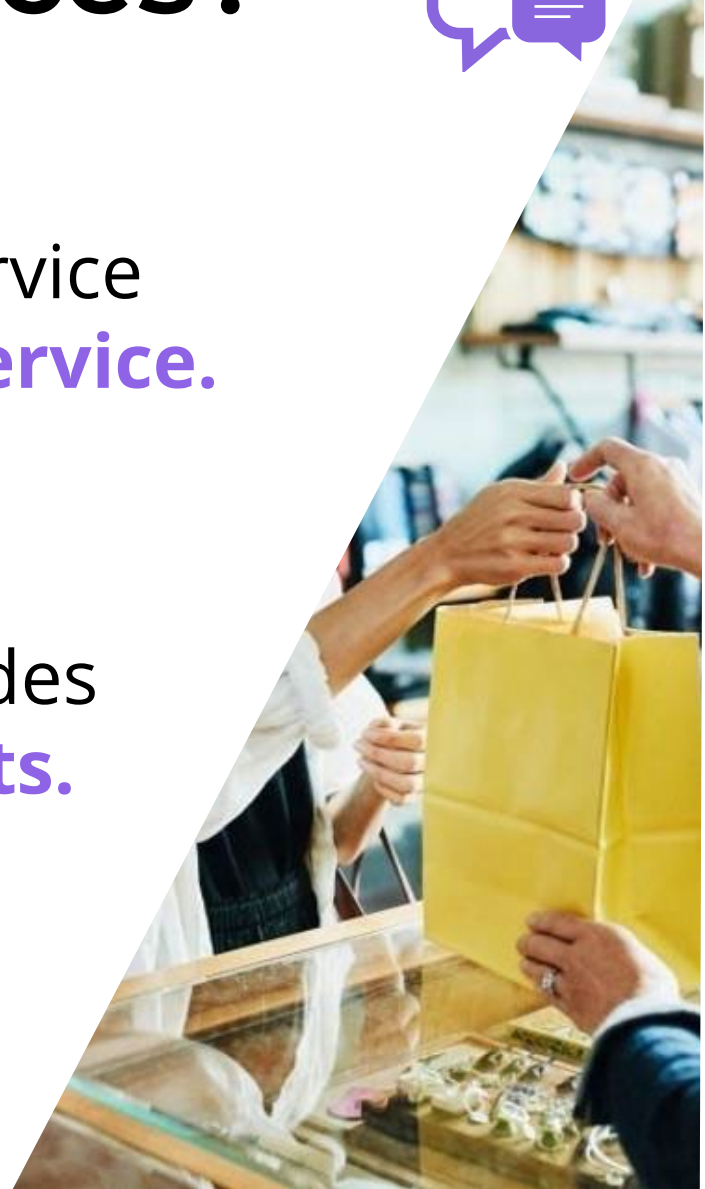


# What are products and services?



The central component of service management is, of course, the **service**.

The **services** that an organization provides are based on **one or more of its products**.





# Definitions



A **service** is a means of **enabling value co-creation** by **facilitating desired outcomes**, without the customer having to manage specific costs and risks.



A **product** is a **configuration** of an **organization's resources** designed to **offer value for a consumer**.

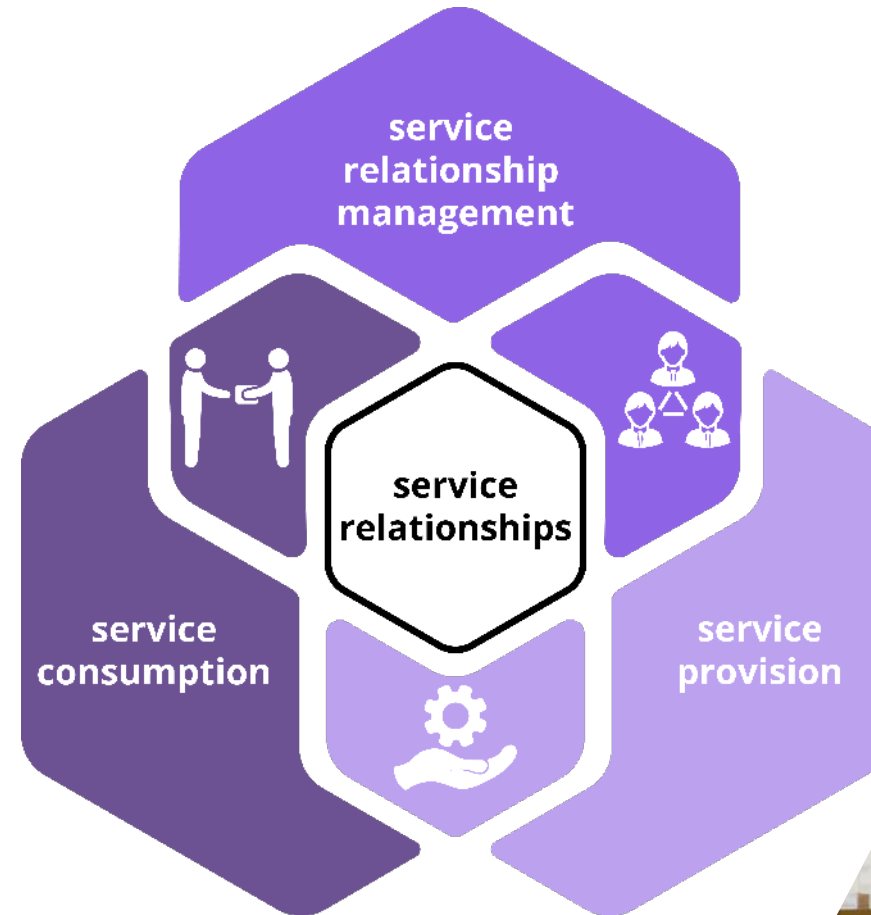


# What are service relationships?



Service relationships are a **cooperation** between a **service provider** and a **service consumer**.

Service relationships include **service provision**, **service consumption**, and **service relationship management**.



# What is the meaning of service provision?



**Service provision activities** are performed by an organization to **provide services**.

Management of the provider's resources, configured to deliver the service

Ensuring access to these resources for users

Fulfilment of the agreed service actions

Service level management and continual improvement





# What is service consumption?

**Service consumption** involves activities performed by an organization to consume services. Service consumption includes:

- the **management of the consumer's resources** needed to use the service
- the **service actions performed by the users**, including utilizing the provider's resources and requesting service actions to be fulfilled. Service consumption may also include the **receiving (acquiring) of goods**.

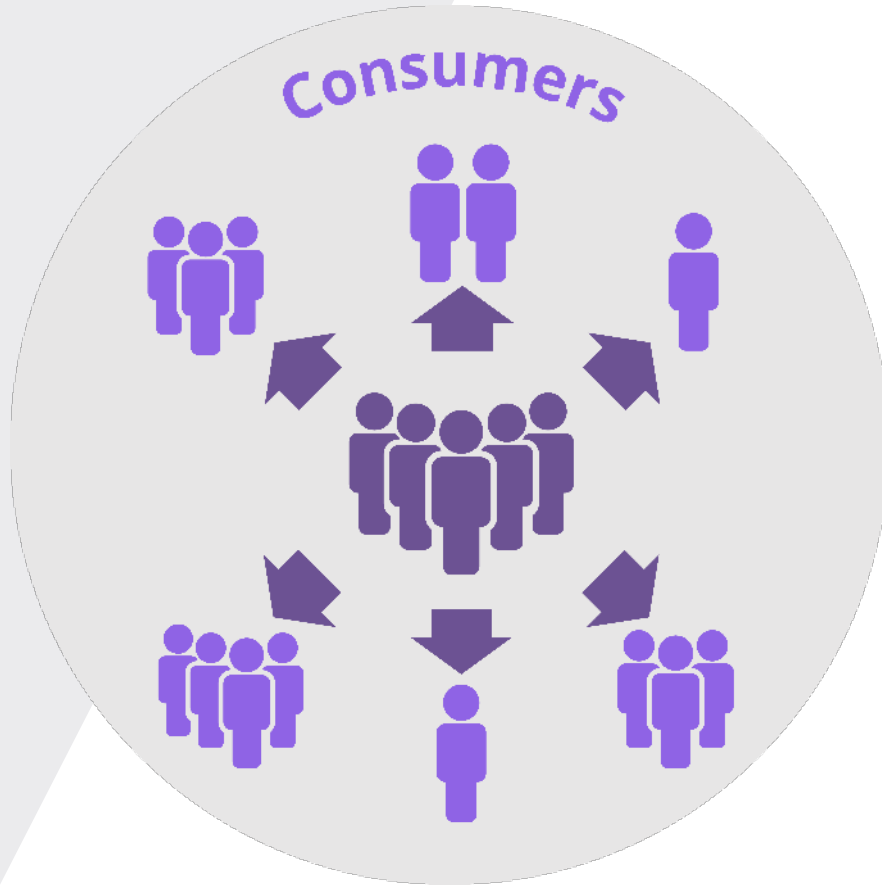


# Service relationship management

**Joint activities** performed by a **service provider** and a **service consumer** to ensure continual value co-creation, based on agreed and available service offerings.



# Service relationships

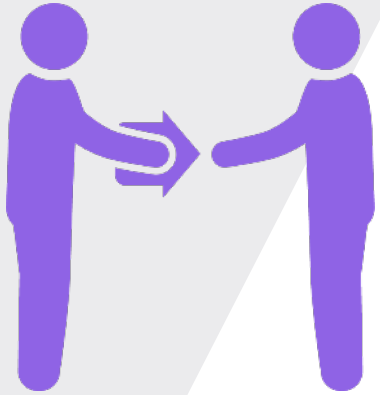


To create **value**, an organization must do more than simply provide a service. It must also **cooperate with the consumers in service relationships.**





# How organizations co-create value



Service relationships are established between two or more organizations to co-create value. In a **service relationship**, organizations will undertake the **roles of service providers or service consumers**.

The two roles are **not mutually exclusive**; organizations typically both provide and consume several services at any given time.



# The service relationship model

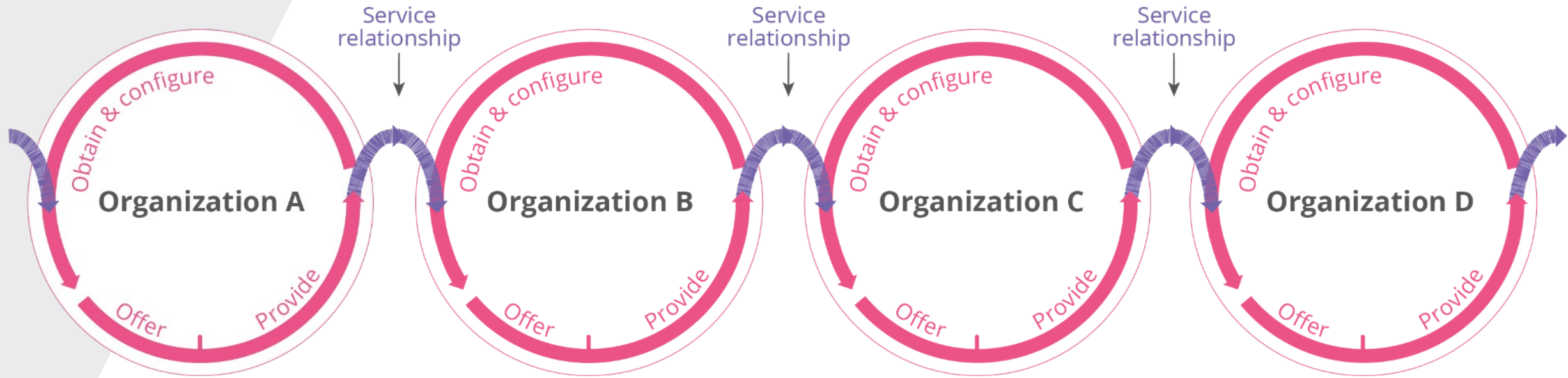


Figure 2.1 The service relationship model

# Value, outcomes, costs, and risks



**Service providers** help their consumers to achieve outcomes and in doing so, undertake some of the associated costs and risks.

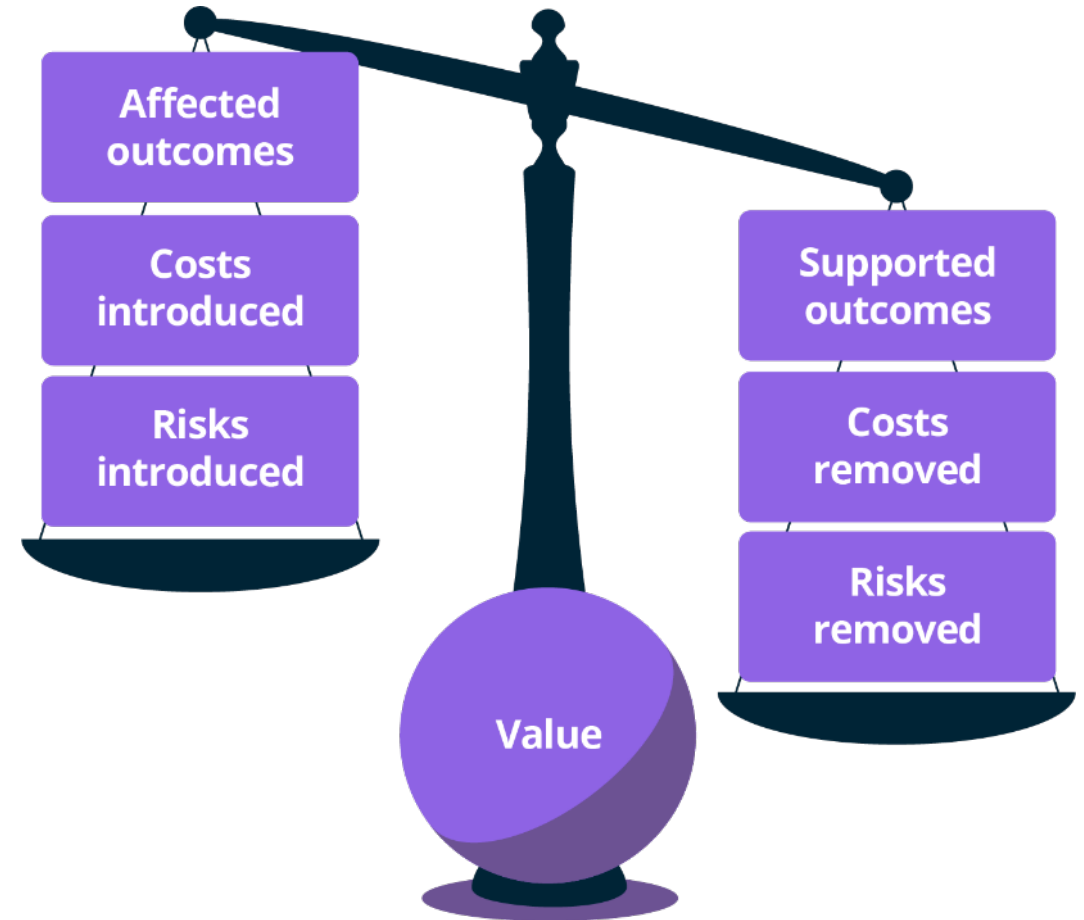
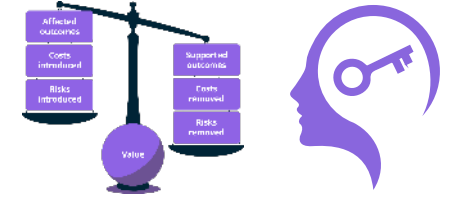


Figure 2.2 Achieving value: outcomes, costs and risks



# Outcomes



Acting as a **service provider**, an organization produces **outputs** that help its consumers to achieve a certain **outcome**.

An **output** is a **tangible** or **intangible deliverable** of an activity.

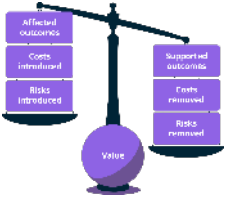
An **outcome** is a **result** for a stakeholder, **enabled by one or more outputs**.

# Definition: cost



## Cost

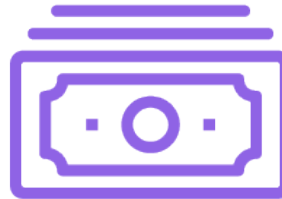
The amount of **money spent** on a specific activity or resource.



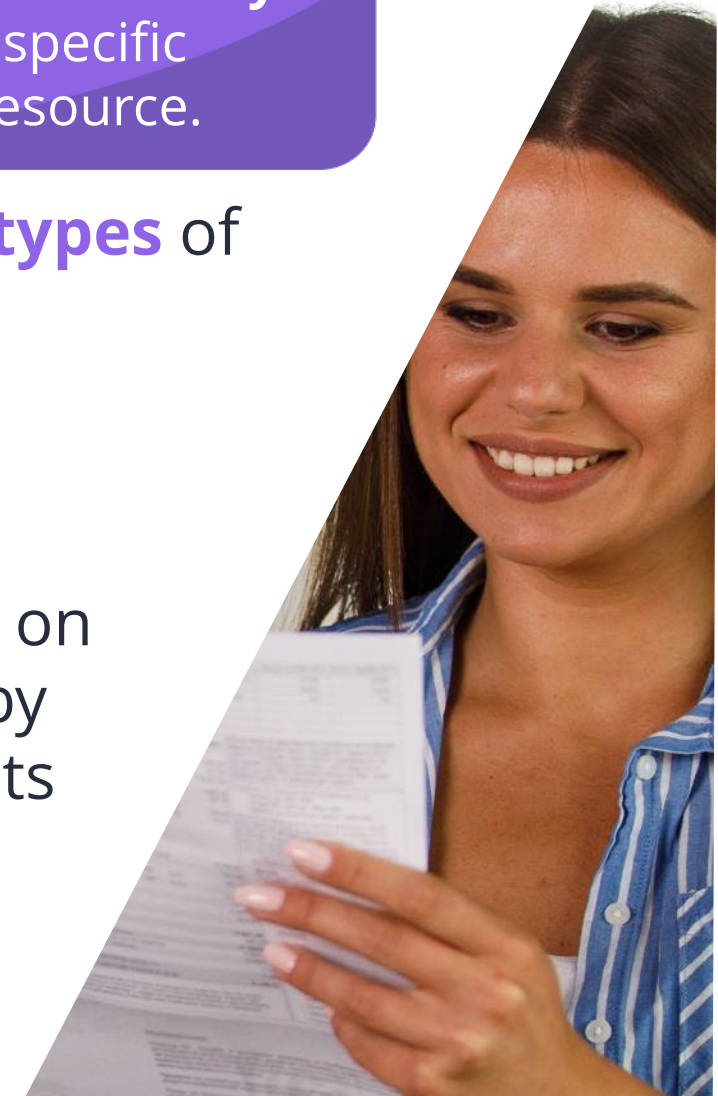
From the service consumer's perspective, there are **two types** of cost involved in service relationships:



Costs **removed** from the consumer by the service (a part of the value proposition).



Costs **imposed** on the consumer by the service (costs of service consumption).

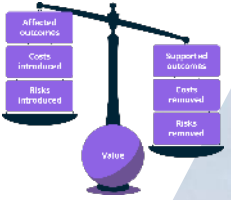


# Definition: risk



A possible **event** that could cause **harm** or **loss**, or make it more difficult to achieve objectives.

It can also be defined as an **uncertainty** of an **outcome** and can be used in the context of measuring the probability of positive as well as negative outcomes.





# Risk (1/2)

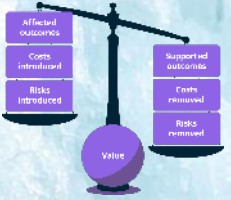
As with costs, there are **two types** of risk that are of concern to service consumers:



Risks **imposed** on a consumer.

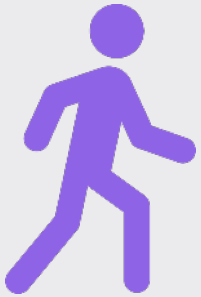


Risks **removed** from a consumer.



# Risk (2/2)

The consumer contributes to the reduction of risk through:

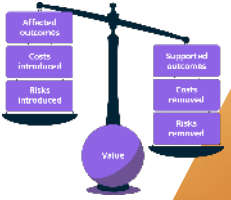
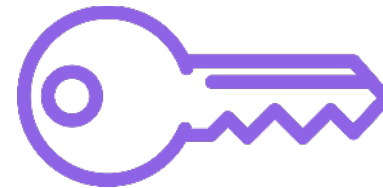


actively participating in the definition of the requirements of the service and the clarification of its required outcomes

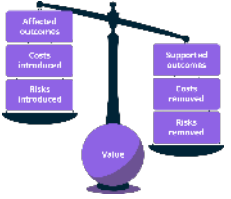


clearly communicating the critical success factors (CSFs) and constraints that apply to the service

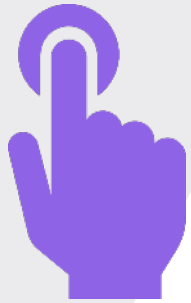
ensuring the provider has access to the necessary resources of the consumer throughout the service relationship.



# Definitions



**Utility** **Functionality** offered by a product or service to **meet** a **particular need**.  
Essentially “what the service does” and can be used to determine whether a service is **“fit for purpose”**.

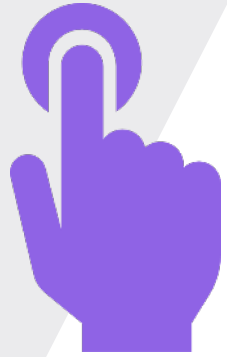


**Assurance** that a product or service will **meet agreed requirements**.  
Essentially “how the service performs” and can be used to determine whether a service is **“fit for use”**.

**Warranty**



# What can be described as utility and warranty?



**All** the service characteristics required to facilitate a valuable outcome.





# Recap: Key learning points



- **Value co-creation** requires collaboration between the **provider** and the **consumer**.
- **Service consumer** is a generic role that is used to simplify the definition and description of the structure of **service relationships**.
- **Cost** is the amount of money spent on a specific activity or resource.
- **Risk** is a possible **event** that could cause **harm** or **loss**, or make it more difficult to achieve objectives.
- **Utility** is the functionality offered by a product or service to meet a particular need.
- **Warranty** is assurance that a product or service will meet the agreed requirements.



# Review and reflect

1. What does **value co-creation** mean?
2. How would you describe the meaning of **products** and **services**?
3. What is the meaning of **service provision**?
4. Describe the nature of the **service relationship model**.
5. What **two types of risk** are of concern to service consumers?

