1.0 Understanding Services

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- Service package, characteristics,
- various frameworks to design service operation system,
- Kind of service encounter, importance of encounters
- Service-Dominant Logic: From Goods-Dominant logic to Service-Dominant logic, Value Co-creation

What is Service?

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- Service provided by local gym
- Service provided by IBM to its business customers
- Handling customer complaints
- 40,000 KM servicing of car / two wheeler
- Organizing Film fare Award function
- Ola cab
- Buying on Amazon
- Watching series on OTT platform
- Mergers & Acquisition thro KPMG consultant

"Service" is defining 80% of economic activities in a developed nation.

Operations Management - definition

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An operations system is defined as one in which

several *activities* are performed
to transform a set of inputs into useful output
using a *transformation* process

The inputs and outputs can be tangible, in the form of raw material and physical products or intangible in the form of information or experiences.

Operations management is a systematic approach to address the issues in the transformation process that converts inputs into useful, revenue- generating outputs.

The Transformation Process within OM

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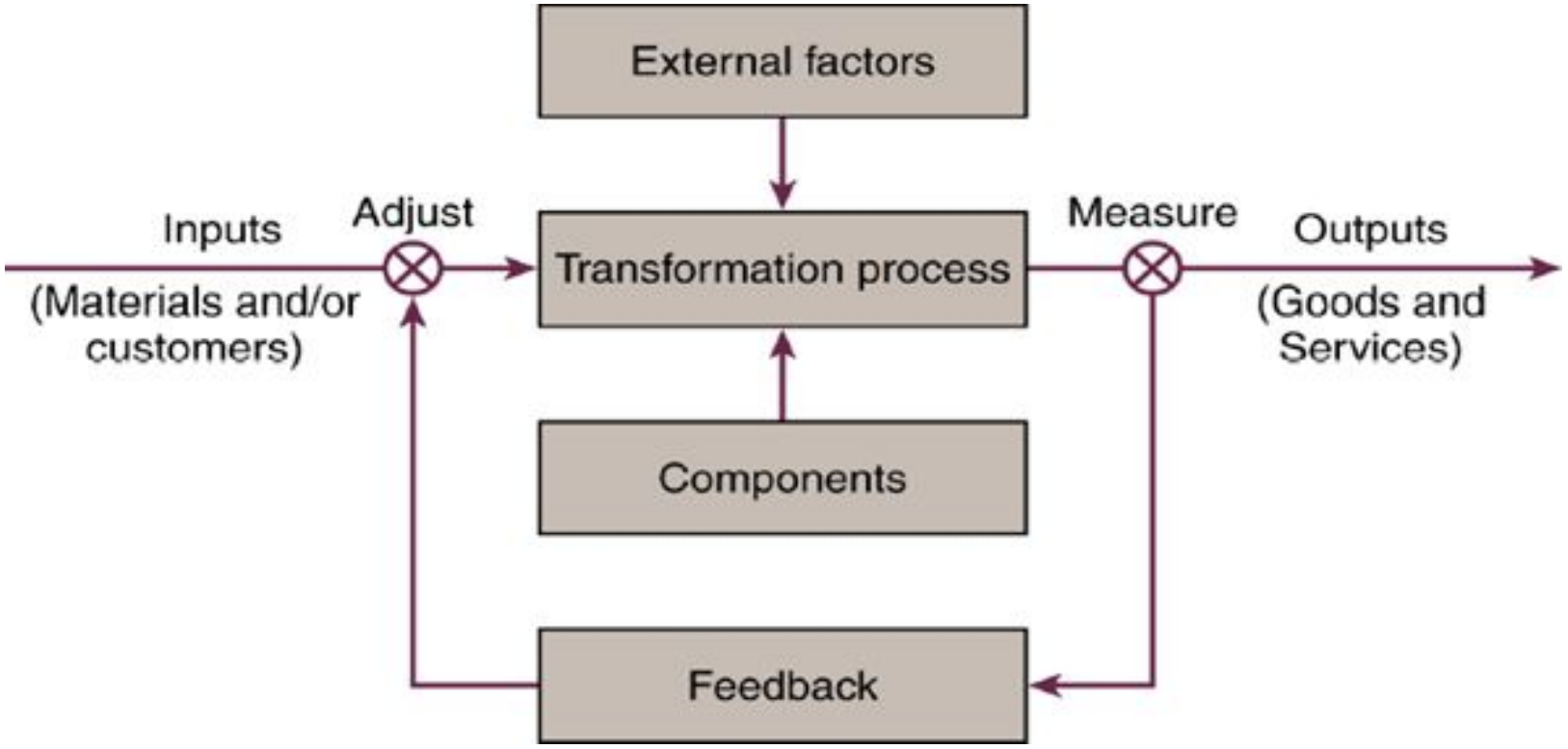

Input-Transformation-Output Relationships for Typical Systems

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Input–Transformation–Output Relationships for Typical Systems

System	Inputs	Components	Primary Transformation Function(s)	Typical Desired Output
Hospital	Patients, medical supplies	MDs, nurses, equipment	Health care (physiological)	Healthy individuals
Restaurant	Hungry customers, food	Chef, waitress, environment	Well-prepared food, well served; agreeable environment (physical and exchange)	Satisfied customers
Automobile factory	Sheet steel, engine parts	Tools, equipment, workers	Fabrication and assembly of cars (physical)	High-quality cars
College or university	High school graduates, books	Teachers, classrooms	Imparting knowledge and skills (informational)	Educated individuals
Department store	Shoppers, stock of goods	Displays, salesclerks	Attract shoppers, promote products, fill orders (exchange)	Sales to satisfied customers
Distribution center	Stockkeeping units (SKU)	Storage bins, stockpickers	Storage and redistribution	Fast delivery, availability of SKUs

Manufacturing & Service - Similarities & Differences

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Manufacturing Organizations	Service Organizations
Differences	
Physical durable product	Intangible, perishable product
Output can be inventoried	Output can't be inventoried
Low customer contact	High customer contact
Long response time	Short response time
Regional, national, Intl. markets	Local markets
Large facilities	Small facilities
Capital intensive	Labour intensive
Quality easily measured	Quality not easily measured
Similarities	
Is concerned about quality, productivity & timely response to its customers	
Must make choices about capacity, location, layout	
Has suppliers to deal with	
Has to plan its operations, schedules and resources	
Balance capacity with demand by a careful choice of resources	
Has to make an estimate of demand	

The Service – Product Continuum

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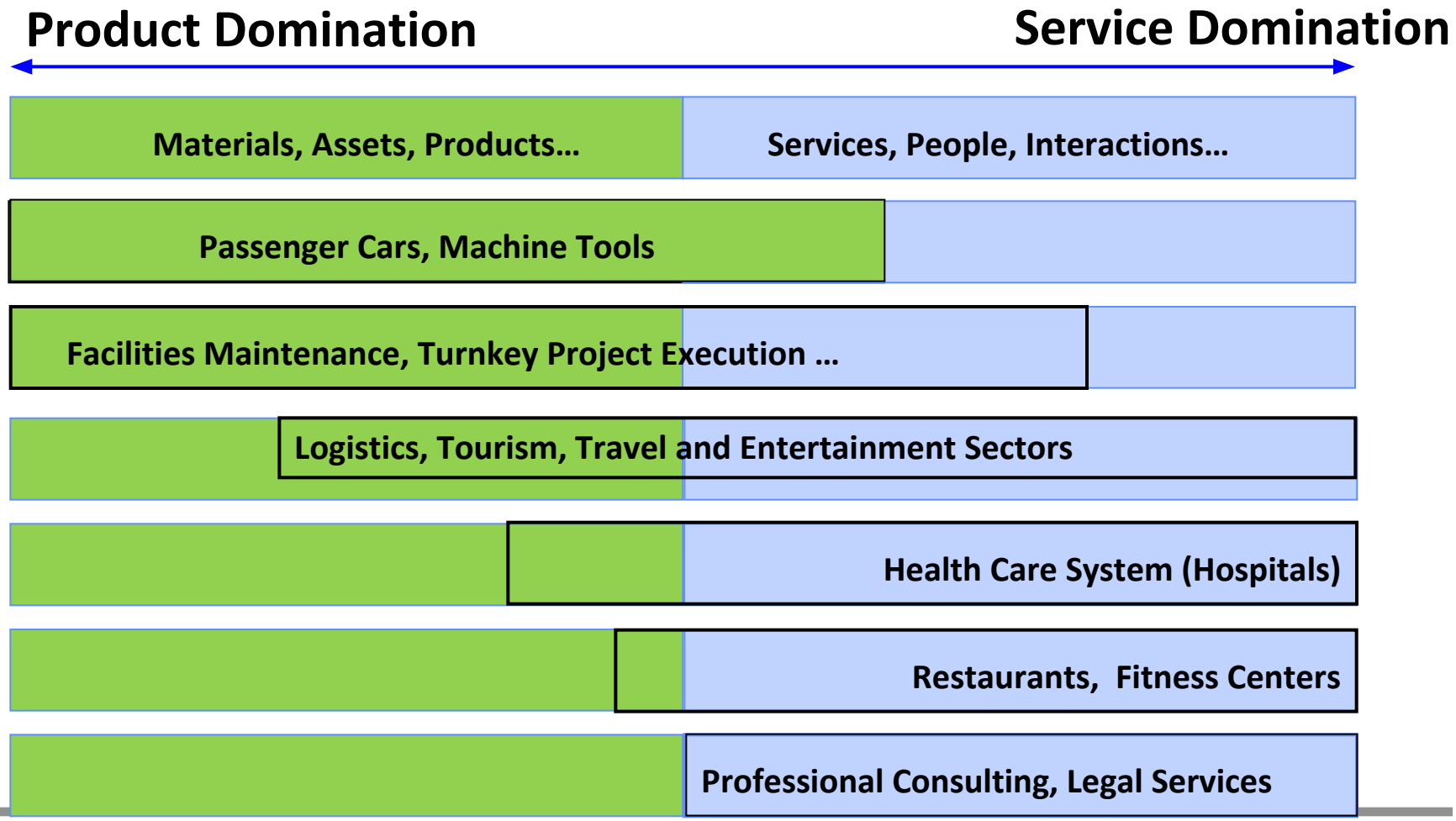

Sector employment in Top 10 nations by labor force size

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Country (or area)	Labour force	% of world labor	Date of information	Agriculture	Industry	Service	Date of information
World	3,43,22,00,000		2017 est.	31%	23.50%	45.50%	2014 est.
China	81,62,00,000	24%	2018 est.	26.10%	27.60%	46.30%	2018 est.
India	52,02,00,000	15%	2011 est.	47%	22%	31%	2009 est.
European Union	22,84,00,000	7%	2011 est.	4.70%	28.70%	66.60%	2010 est.
United States	15,34,00,000	4%	2011 est.	0.70%	20.30%	79.10%	2009
Indonesia	11,70,00,000	3%	2011 est.	38.30%	12.80%	48.90%	2010 est.
Brazil	10,43,00,000	3%	2011 est.	9.40%	32.10%	58.50%	2017 est.
Bangladesh	7,54,20,000	2%	2011 est.	45%	30%	25%	2008
Russia	7,54,10,000	2%	2011 est.	9.80%	27.50%	62.70%	2010
Japan	6,27,40,000	2%	2011 est.	3.90%	26.20%	69.80%	2010 est.
Pakistan	5,78,90,000	2%	2011 est.	43%	20.30%	36.60%	2005 est.
Nigeria	5,15,30,000	2%	2011 est.	70%	10%	20%	1999 est.

India: Distribution of the workforce across economic sectors from 2009 to 2019

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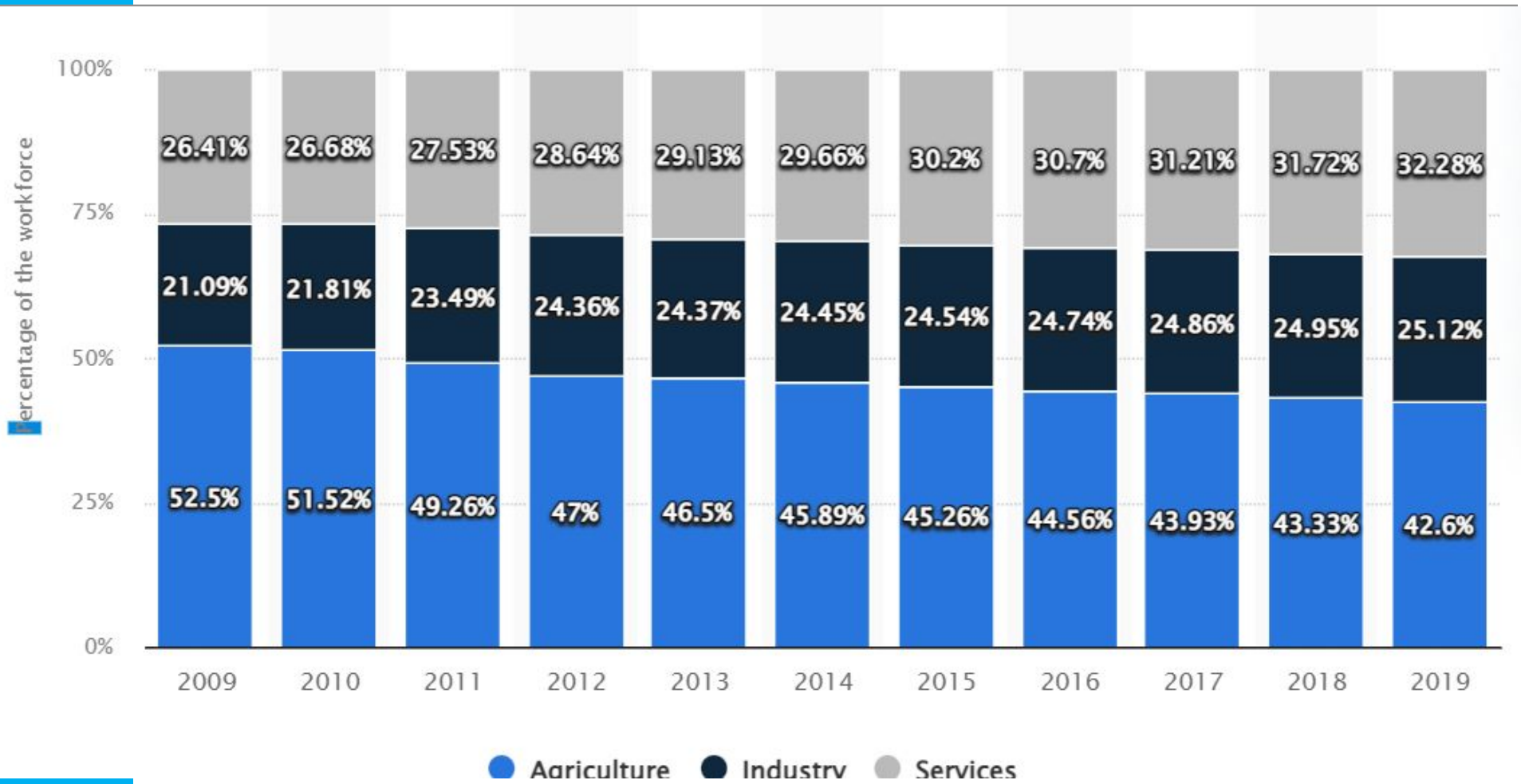

IBM Turnover over the years

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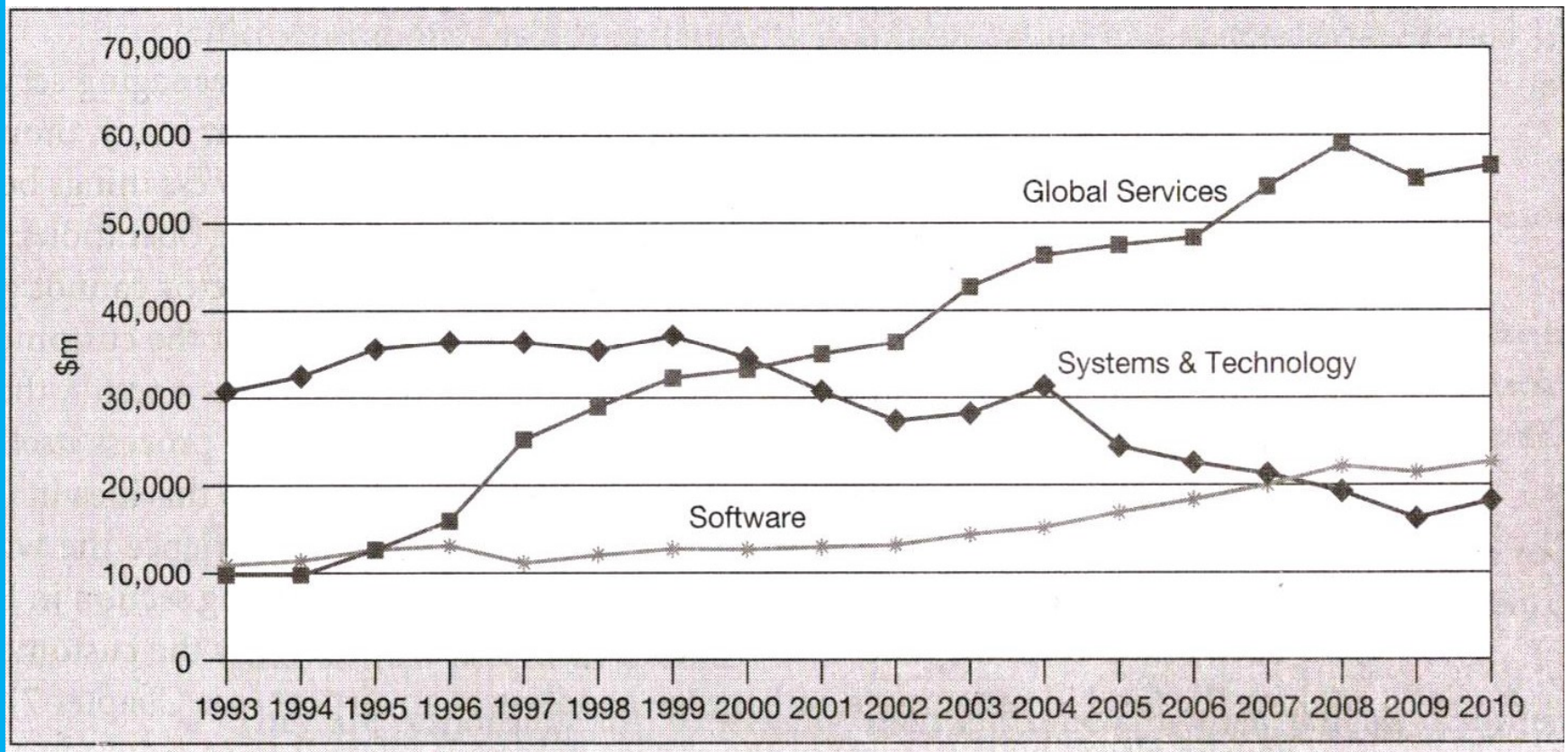

Figure 1.2 IBM Turnover ($ millions) 1993–2010: Global Services, Systems & Technology and Software

Service definition

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- A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place between customer and service employee and/or physical resources or goods and/or systems of service provider, which are provided as solution to customer problems

- Services are deeds, processes and performances

Service definition

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Services are economic activities offered by one party to another, most commonly employing time based performances to bring about desired results in recipients themselves or in objects or in other assets for which purchasers have responsibility. In exchange for their money, time and effort, service customers expect to obtain value from access to goods, labor, professional skills, facilities, networks and system; but they do not normally take ownership of any of the physical elements involved.

Facilitating role of services in economy

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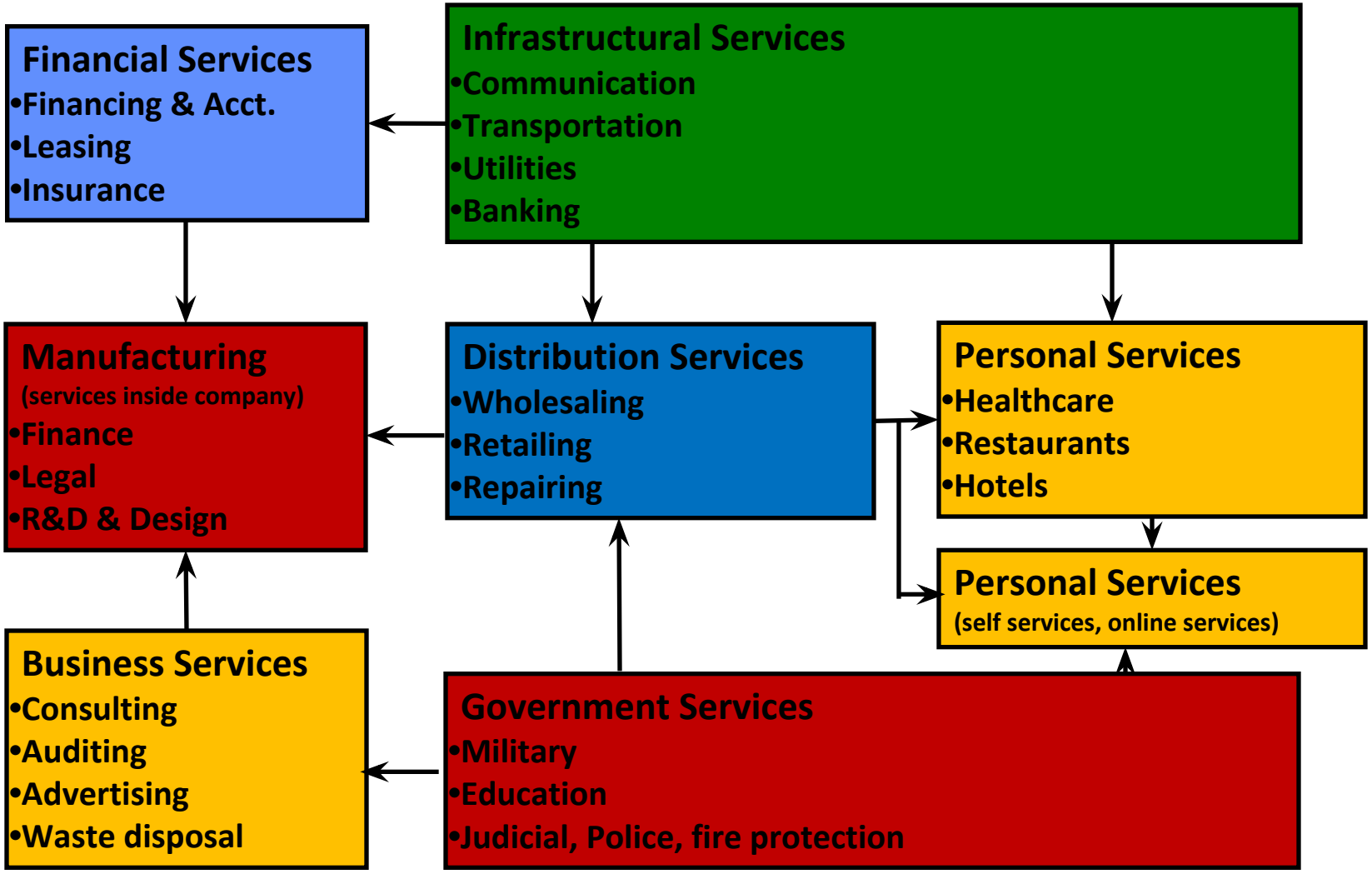

Trends in US employment by sector 1800 – 2050 (projected)

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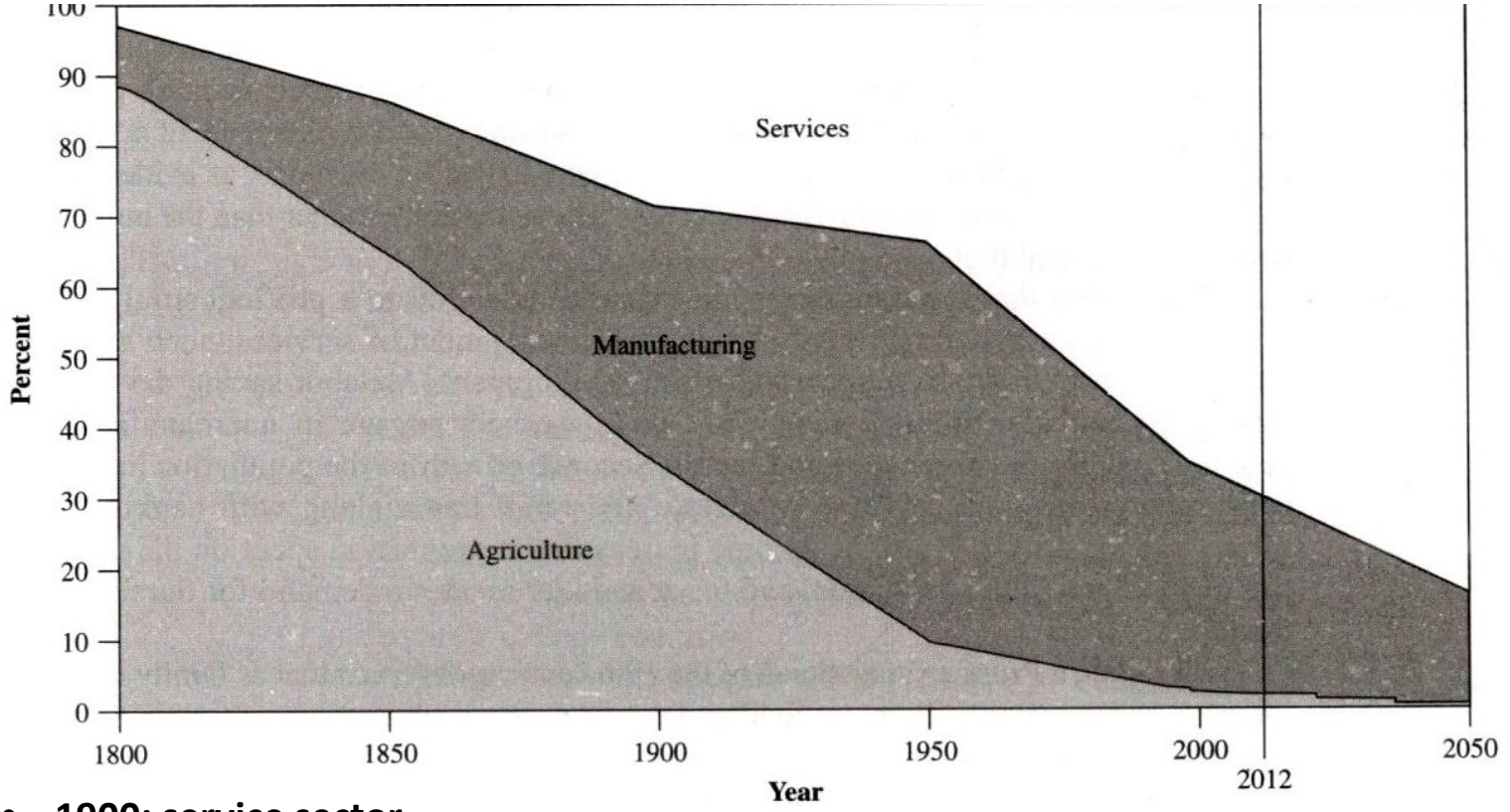

- 1900: service sector 3/10 employees
- 1950: Service sectors 5/10 employees
- Now: 8/10

Agriculture: Value from harvesting nature
Manufacturing: Value from making products
Services: Value from enhancing the capabilities and interactions among people

More the industrialization, shift of employment from one sector to another. Productivity, automation

Economic Evolution

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Clarke-fisher hypothesis

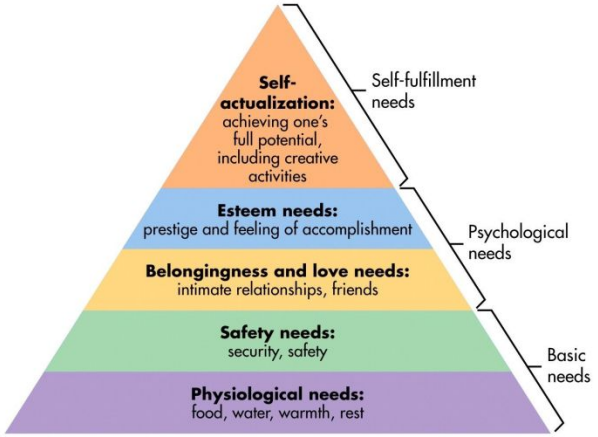
Quinary (extending human potential) Health, education, research, arts, recreation

Quaternary (Trade & Commerce) Transportation, communication, retailing, finance, governance

Tertiary (Domestic Services) Restaurants, hotels, laundry services, maintenance

Secondary (Goods-purchasing): Manufacturing, processing

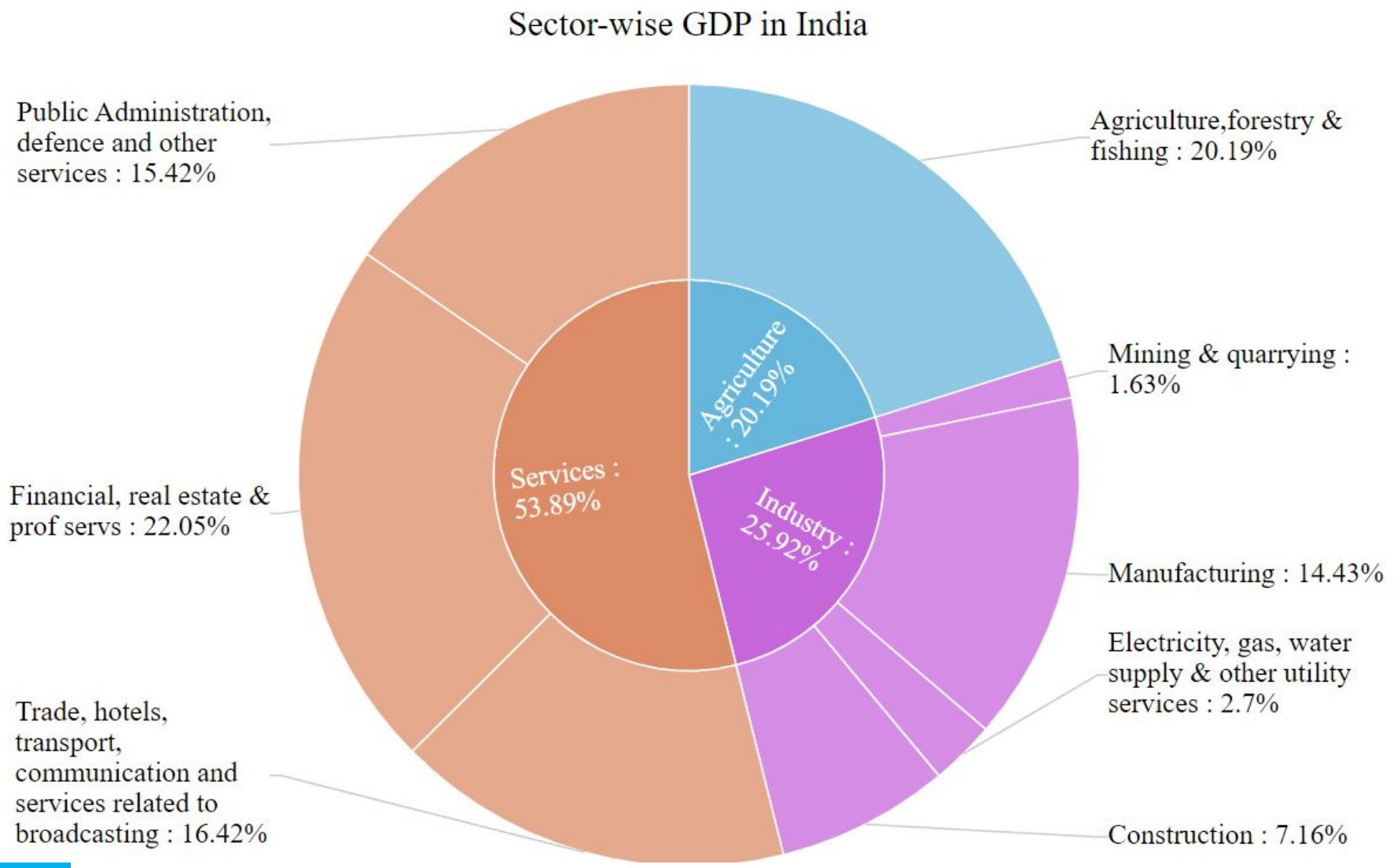
Primary (Extractive): Agriculture, mining, fishing, forestry



Majority of nations

low productivity, income

Africa more than 70% people


Sector-wise GDP in India
Public Administration, defence and other services : 15.42%
Agriculture,forestry & fishing : 20.19%
Mining & quarrying : 1.63%
Financial, real estate & prof servs : 22.05%
Manufacturing : 14.43%
Electricity, gas, water supply & other utility services : 2.7%
Trade, hotels, transport, communication and services related to broadcasting : 16.42%
Construction : 7.16%
Agriculture : 20.19%
Industry : 25.92%
Services : 53.89%

Stages of economic development

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- Preindustrial society
- Industrial society
- Postindustrial society

Preindustrial society

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- Most of the world population – one of subsistence
- Life – survival against nature, working with muscle power,
- People engaged in agriculture, mining, fishing
- Dependence on – weather, quality of soil, availability of water
- A lot depends on season, dependence on nature
- Low productivity, little evidence of technology
- High rate of underemployment
- Preindustrial societies are agrarian and structured around tradition, routine and authority

Industrial Society

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- Predominant activity – production of goods
- Making more with less
- Mechanization, productivity, output per person, per hour
- Focus on standardization, making the task routine
- Creation of plants, cities, SEZs
- Rigid working hours, time measurement, schedules, time awareness
- Organization structure, systems and procedures, defining responsibilities and authorities
- Better social life, life defined by quantity of goods

Postindustrial Society

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- Concerned with quality of life
- Measured by services such as healthcare, education, recreation etc.
- Information is the key resource
- More aware society – social rights, environment, political claims
- Community rather than individual becomes the social unit

Postindustrial Society

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- Per capita income is very high
- Proportionate spending on food, home, transport is low
- More and more automation, more people engaged in non-manufacturing activities like consulting, services etc.
- More consumption of goods, focus on retail, banking, insurance etc.
- Focus on higher education

Stages of economic development

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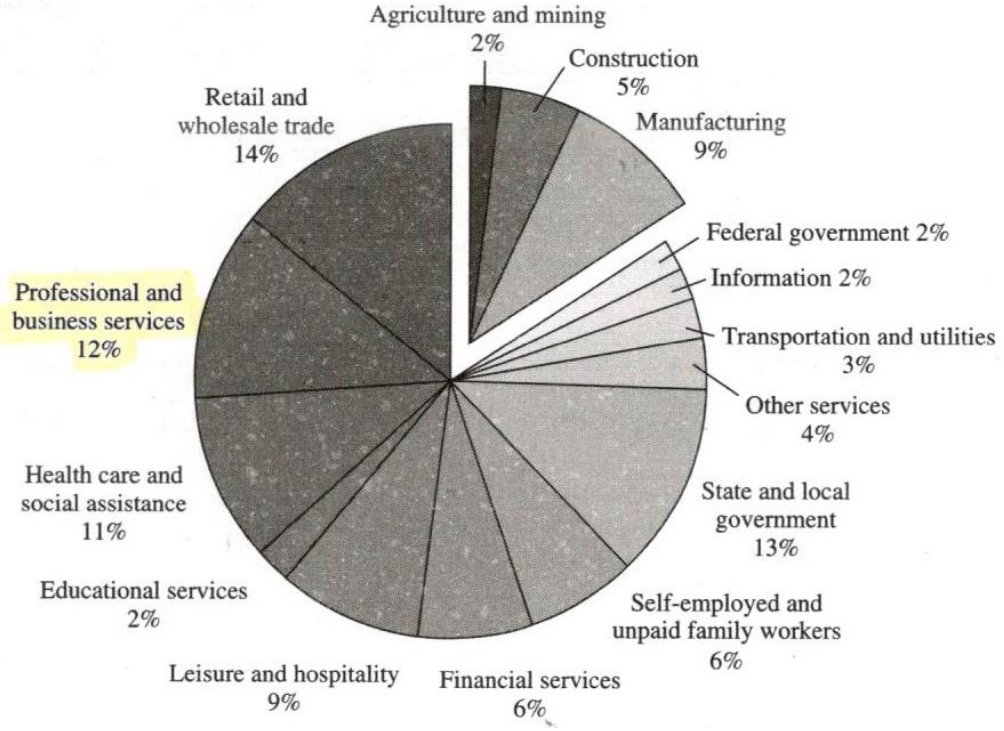
	Features						
Society	Game	Predominant activity	Use of human labor	Unit of social life	Standard of living measure	Structure	Technology
Preindustrial	Against Nature	Agriculture, mining	Raw muscle power	Extended household	subsistence	Routine, traditional, authoritative	Simple hand tools
Industrial	Against fabricated nature	Goods - production	Machine	individual	Quantity of goods	Bureaucratic, Hierarchical	Machines
Postindustriial	Among persons	Services	Aritistic, creative, intellectual	community	Quality of life in terms of health, education, recreation	Onter-dependent, global	Information

Nature of the Service Sector

- Growth of service sector from serving at restaurants and hotels to professional services, leisure and sports, healthcare, information services and media.
- Large % in service sector, attributed to such jobs.



% Distribution of US Employment by industry, 2009

- By 2030, 81% of jobs in US will account in service sector.
- White collar people more than blue collar.
- Serving Aging population – geriatric healthcare creating opportunities
- Two income families – housekeeping services, day care, leisure, adventure sports, Gyms, online shopping, Dunzo, Blinkit

Nature of the Service Sector

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Impact of recession / pandemic on manufacturing sector and service sector

- Capital items purchase
- Automobiles
- Luxury items (ACs, TVs, …)
- Real estate

- Bootstrapping (maintenance of existing equipment, alternate means)
- Insurance
- Education
- Healthcare
- Hotel Industry, textile, spa, gym, house renovation,
- Daycare,
- Financial services

US - Employment by major industry sector

(Employment in thousands of jobs)

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Industry Sector	Employment, 2010	Employment, 2020	Employment, 2030	Employment change, 2010-20	Employment change, 2020-30	Percent distribution, 2010	Percent distribution, 2020	Percent distribution, 2030
Total	1,41,926.7	1,53,533.8	1,65,413.7	11,607.1	11,879.9	100.0	100.0	100.0
Goods-producing, excluding agriculture	17,702.2	20,021.6	20,578.5	2,319.4	556.9	12.5	13.0	12.4
Mining	654.8	573.1	671.3	-81.7	98.2	0.5	0.4	0.4
Construction	5,518.3	7,269.4	7,584.4	1,751.1	315.0	3.9	4.7	4.6
Manufacturing	11,529.1	12,179.1	12,322.8	650.0	143.7	8.1	7.9	7.4
Services-providing, excluding special industries	1,13,261.8	1,22,773.6	1,34,114.6	9,511.8	11,341.0	79.8	80.0	81.1
Utilities	552.8	541.9	502.9	-10.9	-39.0	0.4	0.4	0.3
Wholesale trade	5,386.6	5,639.8	5,780.8	253.2	141.0	3.8	3.7	3.5
Retail trade	14,446.3	14,853.1	14,266.3	406.8	-586.8	10.2	9.7	8.6
Transportation and warehousing	4,179.2	5,555.1	6,189.2	1,375.9	634.1	2.9	3.6	3.7
Information	2,707.2	2,694.4	2,977.2	-12.8	282.8	1.9	1.8	1.8
Financial activities	7,694.8	8,723.7	9,027.1	1,028.9	303.4	5.4	5.7	5.5
Professional and business services	16,782.9	20,245.7	22,265.6	3,462.8	2,019.9	11.8	13.2	13.5
Educational services	3,155.1	3,459.4	3,983.6	304.3	524.2	2.2	2.3	2.4
Health care and social assistance	16,820.0	19,776.2	23,092.6	2,956.2	3,316.4	11.9	12.9	14.0
Leisure and hospitality	13,048.7	13,326.7	16,566.3	278.0	3,239.6	9.2	8.7	10.0
Other services	5,997.7	6,048.8	6,804.9	51.1	756.1	4.2	3.9	4.1
Federal government	2,977.0	2,929.0	2,860.9	-48.0	-68.1	2.1	1.9	1.7
State and local government	19,513.5	18,979.8	19,797.1	-533.7	817.3	13.7	12.4	12.0
Agriculture, forestry, fishing, and hunting	2,102.9	2,241.3	2,296.3	138.4	55.0	1.5	1.5	1.4
Agriculture wage and salary	1,282.3	1,500.8	1,579.1	218.5	78.3	0.9	1.0	1.0
Agriculture self-employed	820.6	740.5	717.3	-80.1	-23.2	0.6	0.5	0.4
Nonagriculture self-employed	8,859.8	8,497.3	8,424.3	-362.5	-73.0	6.2	5.5	5.1

Nature of the Service Sector

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21st century career

- Focus on high skilled jobs
- Freedom to choose
- Flexible timings, location (WFH)
- Greater opportunity to express (blogging, media, legal)
- Ability to shape and reshape life in line with one's values and interests

- start-ups

  - Self empowerment mind-set
  - Allows one to create situations or positions where one can fill a need in the world that is not being filled
  - Opportunity to present oneself as an independent contractor or vendor with services to offer.

The Customer Experience

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

An experience is perceived purely from the point of view of an individual customer and inherently personal.

No two people can have similar experience.

The Customer Experience

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Aspects of the customer experience include:

- **The degree of personal interaction**
- **The responsiveness of service organization**
- **The flexibility of customer-facing staff**
- **Customer intimacy**
- **The ease of access to service personnel and information system**
- **The extent to which the customer feels valued by the organization**
- **The courtesy and competence of customer-facing off**
- **Interaction with other customers**

The experience economy

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- Multiplexes
- Modern Hospitals
- Starbucks
- Amusement parks
- Destination weddings

From transaction nature to experience based relationships

Consumer Service Experience (B2C)
Business Service Experience (B2B)

Business to Customer (B2C) or Consumer Service experience

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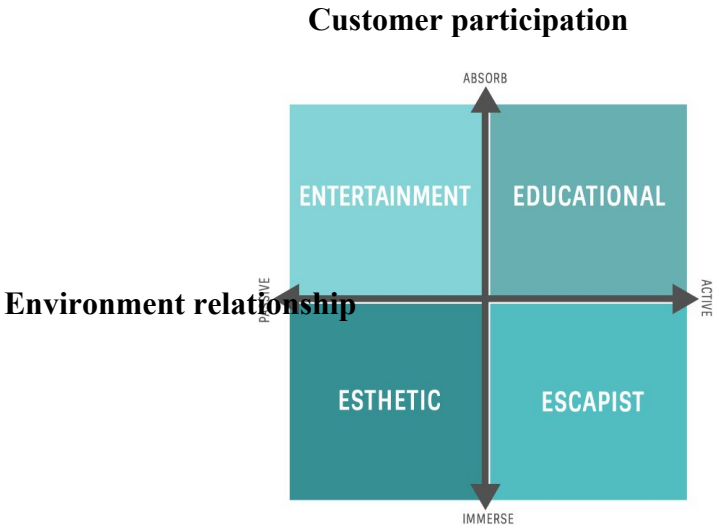
Business-to-customer (B2C) experience create added value by engaging and connecting with customer in a personal and memorable way.

As businesses explicitly charge for the memorable encounters they stage, we see transition from a service economy to the new experience economy.

4 types of consumer experiences – defined by Joseph Pine II and James Gilmore, HBR 1998 – based on level of customer participation and level of interaction with environment.

- **Entertainment (least involved)**
- **Education**
- **Estheticism**
- **Escapism (highest commitment)**



Consumer Service Experience (B2C)

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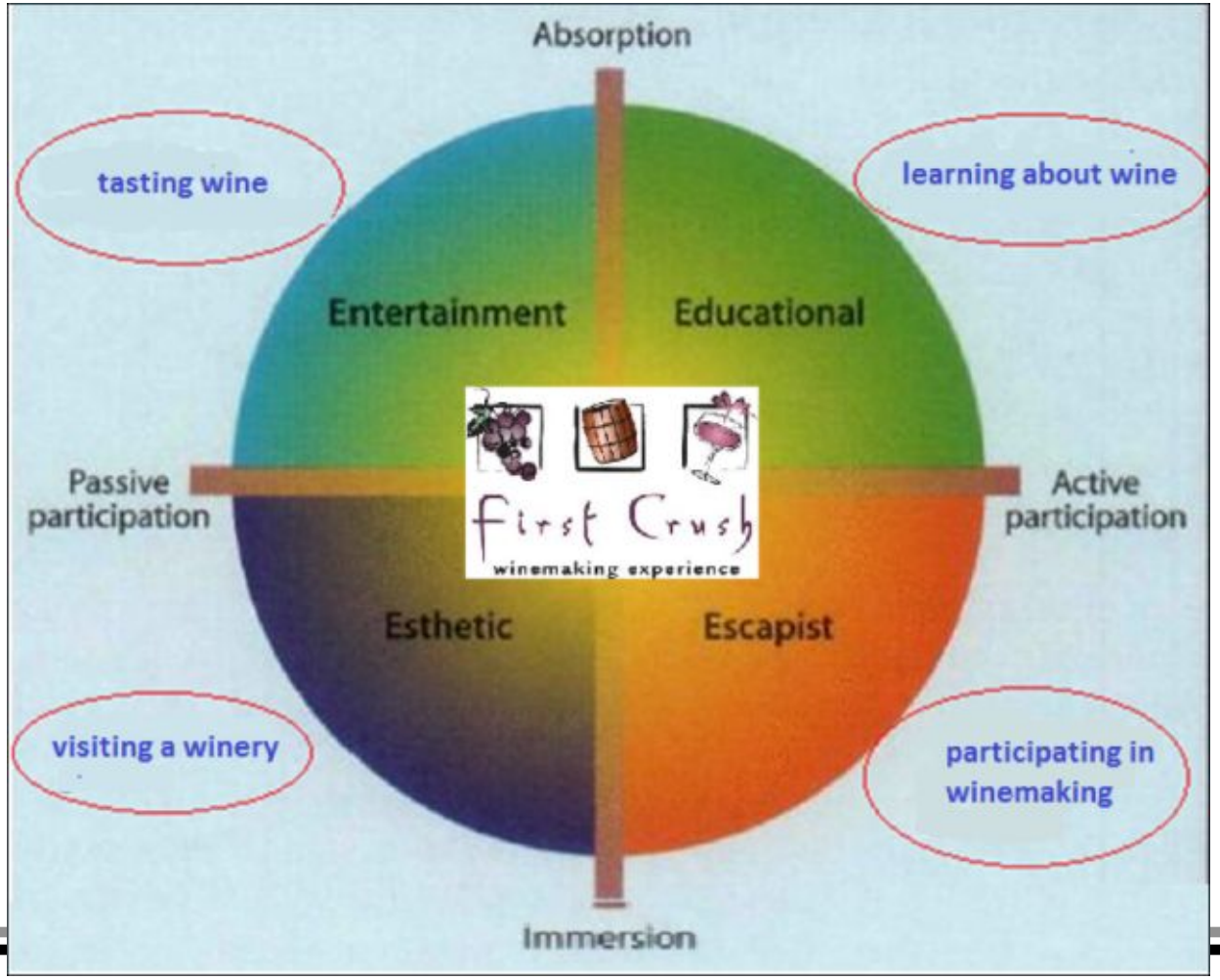
Engaging & connecting customer in a personal and memorable way

Customer Participation

Environmental relationship



Consumer Service Experience (B2C)

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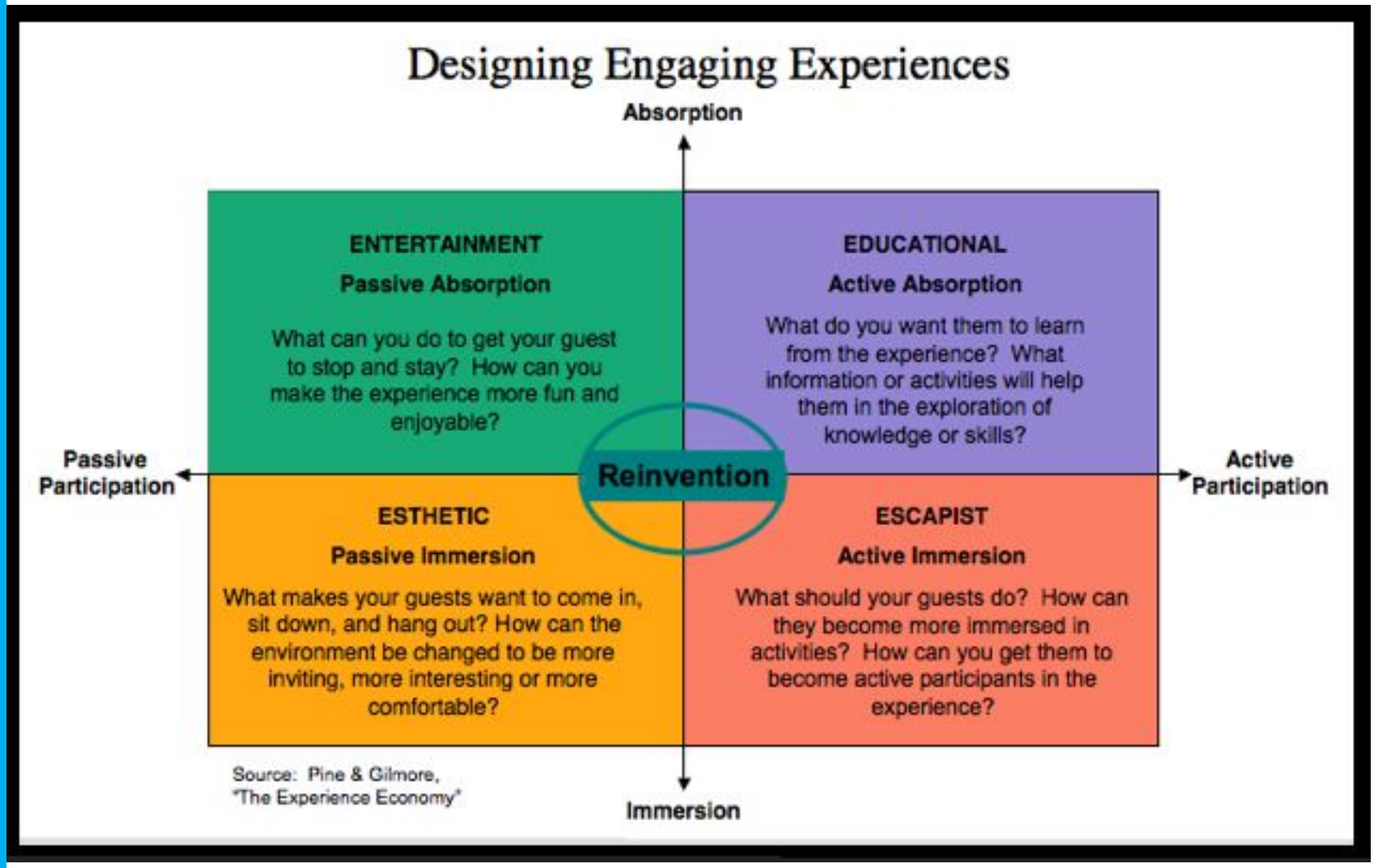

Consumer Service Experience (B2C)

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Entertainment *Tourists are engaged by performances.* ▪ Cellar concerts, music in vineyard ▪ Wine blending demonstration ▪ Farm & food demonstrations ▪ Museum & heritage site visits	**Educational** *Tourists enhance their knowledge or skills.* ▪ Wine tastings & seminars ▪ Culinary-wine pairing events ▪ Home wine making seminars ▪ Cooking & craft making classes
Esthetics *Tourists are enriched by sensual environments.* ▪ Consuming the 'winescape' ▪ Enjoying unique lodging (B&B) and wines ▪ Driving rural roads lined with vin eyards ▪ Art & craft fairs at wineries	**Escapist** *Tourists become engrossed by participating in a different time or place.* ▪ Vineyard hiking, cycling tours ▪ Hot air ballooning over vineyards ▪ Vineyard tour by horse & carriage ▪ Harvesting grapes, riding a grape picker

Consumer Service Experience (B2C)

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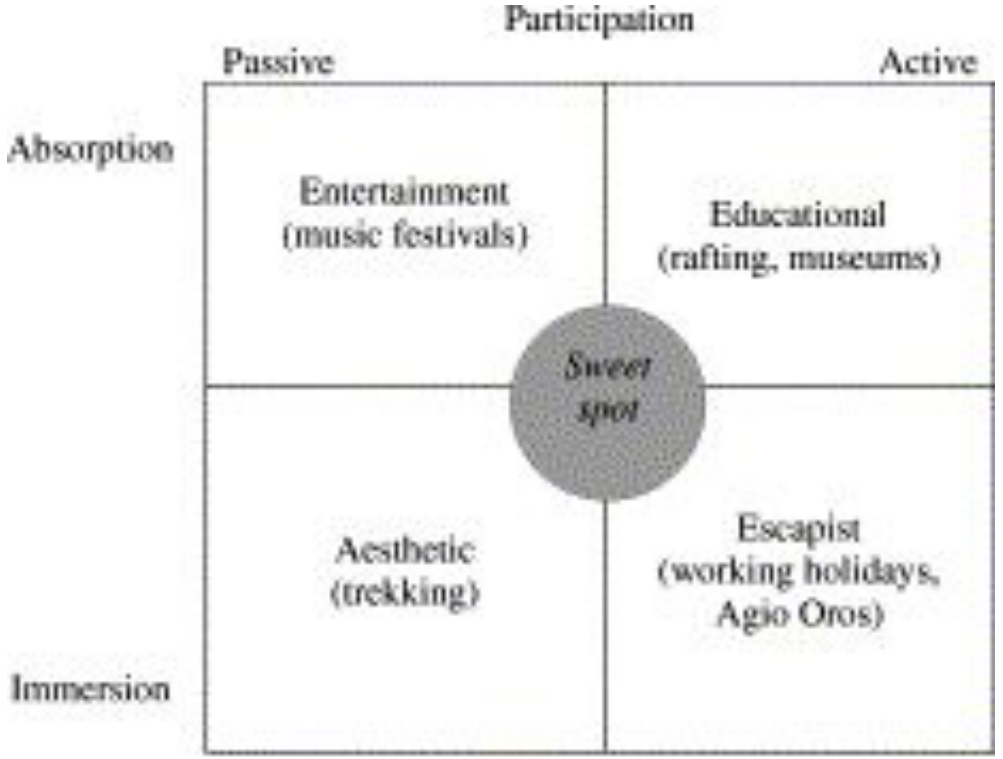

Source: adapted from Pine and Gilmore (1998)

Consumer Service Experience (B2C)

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Consumer service experience design is based on five principles

1. Theme the experience: To build and design a space with one unified storyline allows people to gain a complete experience. There are many 'entertainment' space, combined with eat and entertainment, around us. The most famous one should be 'Disneyland', it create remarkable reputation with optimizing user's experience. As a theme town, it includes eight independent theme lands give visitors a complete experience of fairy tale world.

- Adventureland.
- Critter Country.
- Fantasyland.
- Frontierland.
- Main Street USA.
- Mickey's Toon town.
- New Orleans Square.
- Star Wars: Galaxy's Edge.

Consumer Service Experience (B2C)

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2. **Harmonize impressions with positive cues**: the easiest way to explain this principle is designer should design **enough cues** for **either a space or a product**, allow people **find own way to experience the item**. It can be an **instruction book**, a **navigation map**, or other cues to lead people to find the **correct using way**. The most important point of this principle is to make the **cues coherent** with **desired user experience.**

Barista Brava café (the marriage of Old-World Italian espresso bars with fast-paced American living + floor for que)) and **Parking lot floors in Chicago O' Hare airport** (each floor based on famous basket ball clubs and each floor decorated as per club theme and their music)

Consumer Service Experience (B2C)

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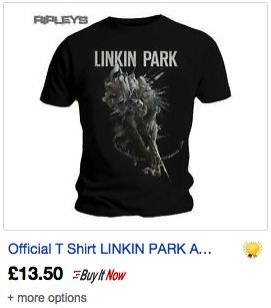
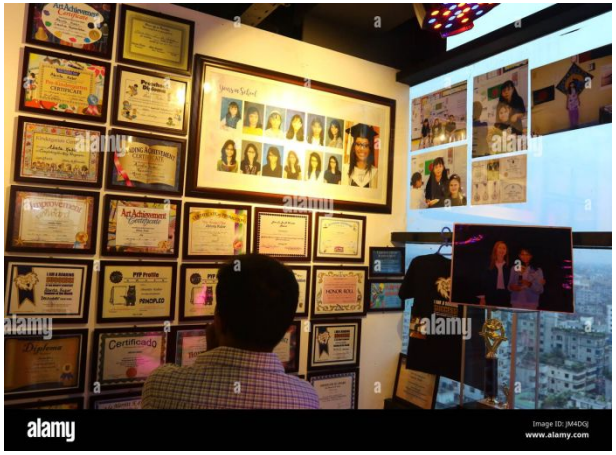
3. **Mix in memorabilia**: Considering **people are willing** to pay '**over-price**' on **memorable item**, a company could cater to consumer's pleasure provide either **service or product** combine with **memorable experience**. A rock band, for instance, Linkin Park, fans are willing to spend money on T-shirt printed on their name or logo.





Consumer Service Experience (B2C)

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4. **Eliminate negative cues: Any clue that does not connects to the theme would be a negative cue, and negative cue might distract consumer from the theme. Therefore, it is also important to consider remove the cues that not relate to or diminish the theme. For example, the colour of a vampire theme restaurant uses blood red rather than pink in case of better user experience.**

Consumer Service Experience (B2C)

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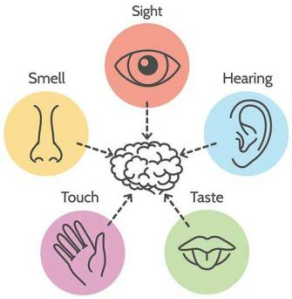
5. **Engage all five senses**: **Experience** is an **intangible** thing exists in people's head. **Stimulant five senses**, to some extent, can enhance experience turn to memorable thing. Many theme places such as **Karaoke, cinema or restaurant**.

Rain forest café in Las Vegas – Jungle sound and mist in air



Consumer Service Experience (B2C)

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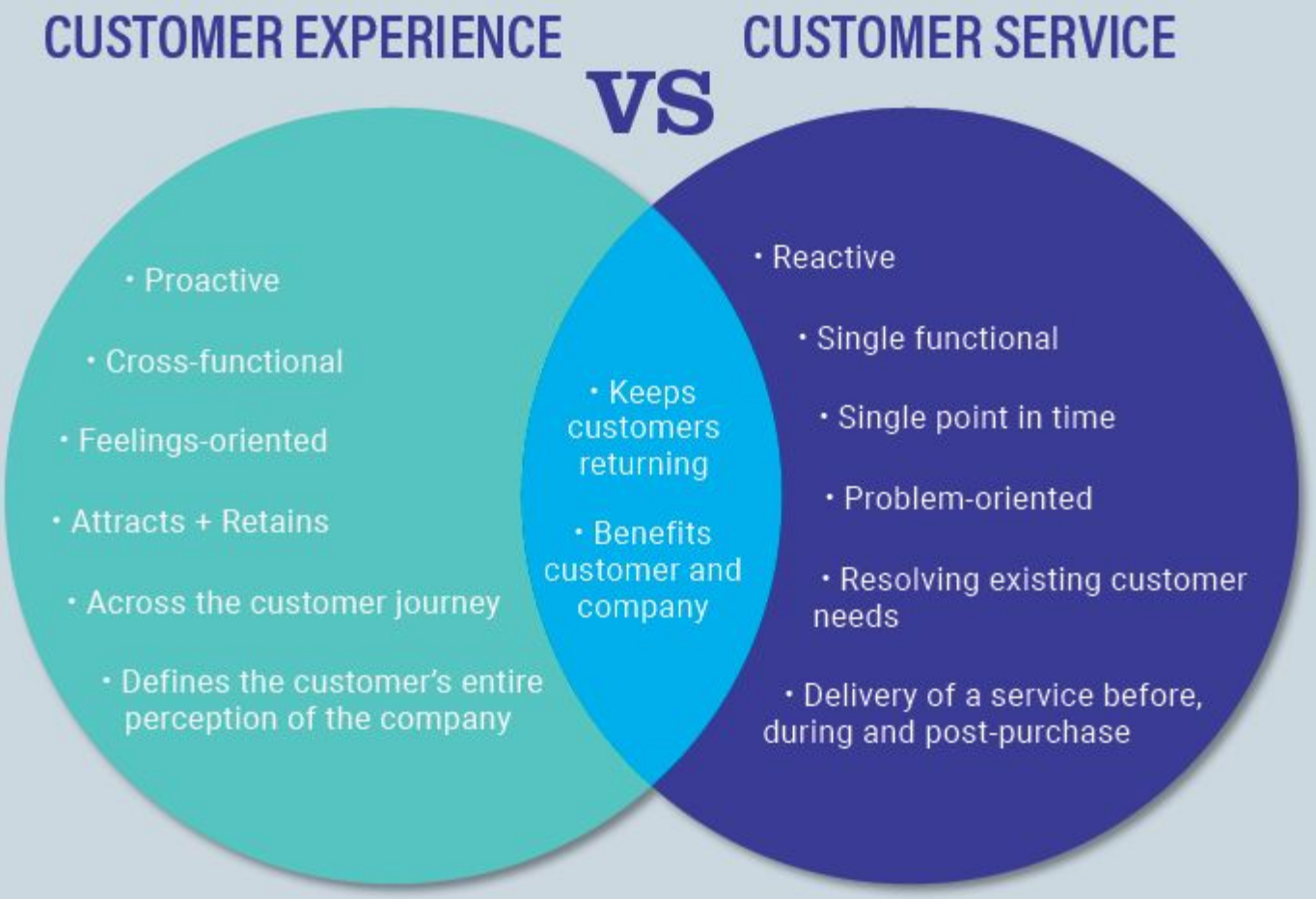

Business Service Experience (B2B)

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In B2B services, Value is derived from coproduction or collaborative nature of relationship such as consultancy engagement.

TCS

Three Dimensions:

Core experience of B2B service is one of creating, enabling, problem solving and innovative use of information that is not consumed in exchange, but is enhanced and remains available for further use by others

Co-creation of value

- Customer is a co-producer of the value extracted from the service
- Customer is an input to the service process

Relationships

- The relationship with the customer is source of innovation and differentiation
- Long-term relationships – tailor the service offering to customer's needs

Service capability

- Provide service capacity to meet fluctuations in demand, while retaining quality
- Quality of service is measured from customer's perspective

B2B vs B2C

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Business to Business

- Markets to other businesses

- Examples of B2B include: ad agencies and office furniture manufacturers
- Uses industry jargon

- A B2B audience is looking for expertise
- There is a longer decision making process
- Will the product save time and help the business run more efficiently?

- Marketing message can be lengthy to prove know-how
- After a business has purchased the product or service, a relationship is developed and continues

- "We know what we're doing."

Business to Consumer

- Markets to consumers

- Examples of B2C include: Restaurants and retail stores

- Uses simple language for consumers to understand
- A B2C audience is looking for a good deal and entertainment

- A shorter decision making process
  - Emotions play into purchasing decision
  - How will this product benefit me?
  - Marketing message needs to get right to the point
  - After a consumer purchases the product the business to consumer relationship ends
  - "We are cheaper."

The experience economy

QLeNPro

Language of Economic evolution

Economy	Agrarian	Industrial	Service	Experience	
Economic offering	Food	Packaged goods	Commodity services	Consumer Service (B2C)	Business Services (B2B)
Function	Extract	Make	Deliver	Stage	Co-create
Nature	Fungible	Tangible	Intangible	Memorable	Effectual
Attributes	Natural	Standardized	Customized	Personal	Growth
Method of supply	Stored in bulk	Inventoried	Delivered on demand	Revealed over time	Sustained over time
seller	Trader	Producer	Provider	stager	collaborator
Buyer	Market	Customer	Client	Guest	collaborator
Expectations	Quantity	Features	Benefits	Sensations	Capbility

Fungible – replaceable with another one

Typology of services in 21st Century

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Core Experience	Essential Feature	Examples
Creative	Present ideas	Advertising, theater
Enabling	Act as intermediary	Transportation, communications
Experiential	Presence of customer	Massage, theme park
Extending	Extend and maintain	Warranty, health check
Entrusted	Contractual agreement	Service/repair, portfolio mgt.
Information	Access to information	Internet search engine
Innovation	Facilitate new concepts	R&D services, product testing
Problem solving	Access to specialists	Consultants, counseling
Quality of life	Improve well-being	Healthcare, recreation, tourism
Regulation	Establish rules and regulations	Environment, legal, patents

Service-Dominant Logic

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Service infusion is a major global business trend in manufacturing industries.

Firms strategically increase their service orientation in order to increase profit margins.

Positioning service as dominant in marketing logic clearly challenges traditional practice, given that much of marketing theory originated from a goods-dominant view.

Dominant logic relates to the main means a company uses to make a profit. It is an interpretation of how a company has succeeded.

Service-Dominant Logic

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In the last few decades, GE, Ericsson, IBM, Toyota Industries, Xerox, and other leading-edge manufacturing firms have increasingly 'moved downstream'. This so-called service infusion is frequently seen as a transition path from transactional product sales to relational services and solutions provision

Traditional logic, the G-D (goods dominant) logic, that economic value is added through industrial processes, embedded in goods, distributed, and then realized in exchange in a transactional manner (i.e., *value- in-exchange*).

Service-Dominant Logic

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Under S-D logic, goods are seen as distribution mechanisms for service provision. The value of goods is based on their value- in-use and determined by the customer, which clearly goes beyond conventional value-in-exchange (i.e., market value, price).

Developed by Stephen Vargo and Robert Lusch

Central idea – Service is fundamental basis of value creation

Service-Dominant Logic

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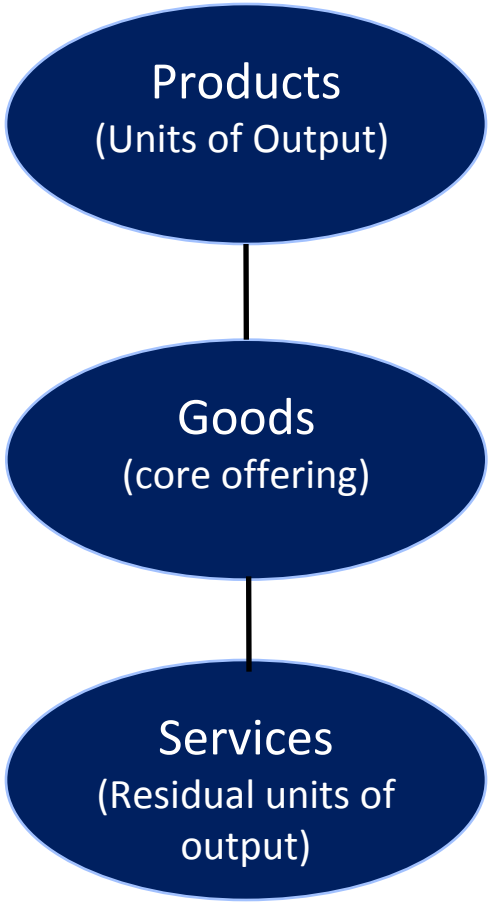
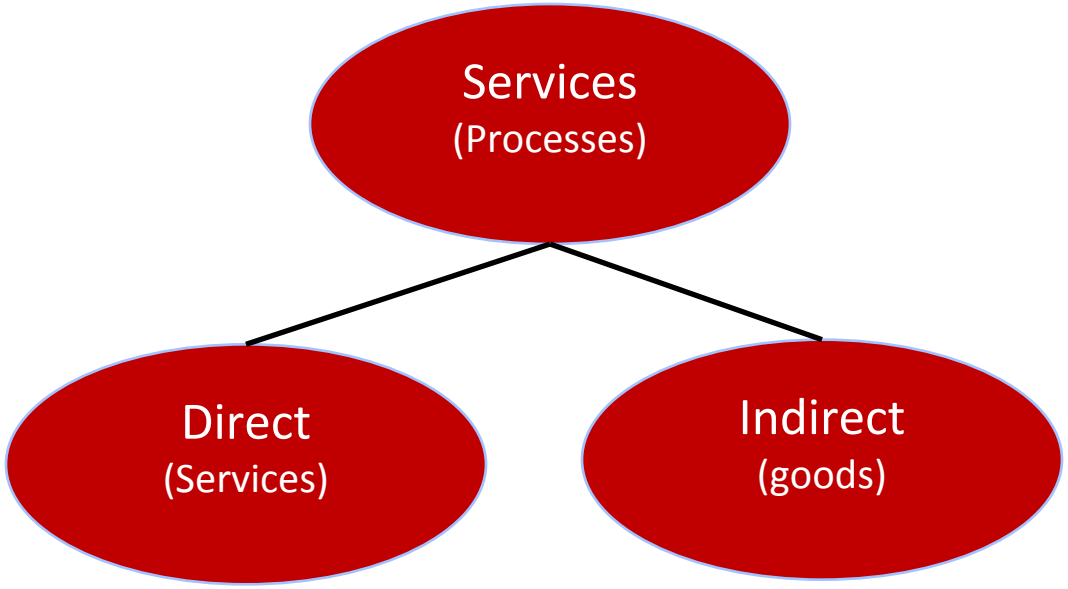
Good – Dominant Logic



Service – Dominant Logic



Comparisons between G-D logic and S-D logic

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G-D logic concepts	Transitional concepts	S-D logic concepts
Goods	Services	Service
Products	Offerings	Experiences
Feature/attribute	Benefit	Solution
Value as produced	Co-production	Co-creation of value
Profit maximization	Financial engineering	Financial feedback/ learning
Price	Value delivery	Value proposition
Supply chain	Value chain	Value-creation network
Promotion	Integrated marketing communications	Dialogue
To market	Market to ...	Market with ...
Product orientation	Market orientation	Service orientation
Primacy of efficiency	Efficiency	Efficiency through effectiveness
Customers as isolated entities	Customers	Customers as resources

Foundational Premise of Service Dominant Logic

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FP1: Service is regarded as an activity or process, rather than an intangible unit of output. The service is derived from applying competencies (knowledge and skills) for the benefits of another party.

FP2: The process of value creation in a post-industrial society is complex and has many intermediary functions (like, internet) that facilitate the process of exchange.

FP3: Although goods are store of energy, material and labour costs, they realize value only upon use (car providing the transportation service)

FP4: Competitive advantage is captured in a service firm's intellectual capital, skills and knowledge that can be applied to creating value for the customer.

Foundational Premise of Service Dominant Logic

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FP5: If service is the application of competencies for the benefit of others, then all the economic activity is essentially service, no matter if the economy is agrarian, industrial or post-industrial.

FP6: If value is co-created with customer, then by definition, the service activity involves the customer in same capacity (mind, body, information etc.) in an interactive relationship.

FP7: Just as product has no intrinsic value until use, a service is only capacity to create upon customer activation (seat on an aeroplane has no value if empty upon take-off).

FP8: Because a service is co-created with the customer, the service exchange necessarily must become customer-focused.

Foundational Premise of Service Dominant Logic

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FP9: Value is created when the customer integrates and applies the resources of the service provider along with other resource-integrators (using bill desk to make payment for Business Today subscription)

FP10: Each customer determines the value or quality of service based on personal needs at the specific time (eg. Quick lunch or dinner party) and in a particular context (alone or in a group) as an experience.

Service-Dominant Logic

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Foundational premise	Comment/explanation
1. The application of specialized skill(s) and knowledge (i.e. service) is the fundamental unit of exchange	The application of operant resources (knowledge and skills), "service," as defined in S-D logic, is the basis for all exchange. Service is exchanged for service
2. Indirect exchange masks the fundamental basis of exchange	Because service is provided through complex combinations of goods, money, and institutions, the service basis of exchange is not always apparent
3. Goods are a distribution mechanism for service provision	Goods (both durable and non-durable) derive their value through use – the service they provide
4. Operant resources are the fundamental source of competitive advantage	The comparative ability to cause desired change drives competition
5. All economies are service economies	Service (singular) is only now becoming more apparent with increased specialization and outsourcing

- **operand resources, which are usually tangible, static resources that require some action to make them valuable.**
- **operant resources, which are usually intangible, dynamic resources that are capable of creating value**

Service-Dominant Logic

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Foundational premise	Comment/explanation
6. The customer is always a co-creator of value	Implies value creation is interactional
7. The enterprise cannot deliver value, but only offer value propositions	Enterprises can offer their applied resources for value creation and collaboratively (interactively) create value following acceptance of value propositions, but can not create and/or deliver value independently
8. A service-centered view is inherently customer oriented and relational	Because service is defined in terms of customer- determined benefit and co- created it is inherently customer oriented and relational
9. All social and economic actors are resource integrators	Implies the context of value creation is networks of networks (resource integrators)
10. Value is always uniquely and phenomenologically determined by the beneficiary	Value is idiosyncratic, experiential, contextual, and meaning laden

Idiosyncratic - individual

Characteristics of Service Operations

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- Customer Participation
- Simultaneity
- Perishability
- Intangibility
- Heterogeneity
- Nontransferable ownership

Customer Participation

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- Car Manufacturing process
- Interior decoration activity at home, painting
- Stitching suit at tailor
- Buying activity at super market
- Patient – Doctor dialogue – medical records accuracy
- Fast food / self service restaurants

- Presence of customer as a participant in the service process
- Requires attention to facility design
- (Open kitchen in the restaurants, automobile repair shops)
- The layout, interior, aesthetics, noise level at the service provider influence the customer to participate. (Bus terminal vs airport, dance floor, pub, open kitchen)
- Customer participation during the process has impact on pricing
    - Fast food restaurant vs specialty restaurant

Customer Participation

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- The popularity of super markets or discount stores is just because the customer is willing to participate.
- The accuracy of patient's record can influence the effectiveness of the attending doctor.
- The education of a student is largely defined by his own efforts.

Fast food restaurant – customer as a participant

- Places the order – from a limited menu
- Receives the meal
- Clears the table after eating
- Acts as a temporary employees.
- Expects faster services, less expensive
- The restaurant owner benefits – fewer employees, service capacity varies with demand

New trends

Keeping customer out from participating – e-commerce, online banking

Simultaneity

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- Services are created and consumed simultaneously, can not be stored. A critical feature. Just opposite of manufacturing (where the fluctuations in demand are addressed thro inventory)
- Manufacturing activity can be operated at a constant level of output. Works as a close system where external demand fluctuations are not impacted.
- Services work as an open system, with full impact of demand fluctuations.
- Inventory takes care of intermediate operations in manufacturing whereas, in services, its queuing.
- Simultaneous production and consumption eliminates the quality control intervention.

Simultaneity

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- Doctor diagnosing and treating the patient
- Diagnosis and repair of home appliances
- Implementing ERP at any organization
- Withdrawing money from ATM
- Inventory? Seasonal fluctuations?
- Customer queuing (capacity, utilization)
- Customer is verifying the quality

Perishability

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- Service is a perishable commodity.
- An empty hotel room or fully occupied hotel and few customers requesting for accommodation
- Service can not be stored, it is lost if not used vs inventory in production
- Case of Zomato, swiggy
- Restaurant capacity issue at Lunch and week-ends
- Local trains in Mumbai
- Using full capacity is a challenge.
- Requirement of emergency ambulance at 6.00 PM vs at 3.00 AM.

Perishability

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How to handle

- **Smoothen demand**
  - Using reservations
  - Price incentive (lower price if ready to take delivery after 2 months)
  - Demarketing peak hrs. (happy hrs.)

- **Adjust service capacity**
  - Part time help during peak hrs.
  - Working in shifts
  - Increasing self service content

- **Allow customers to wait**

It's a passive contribution to service process. Carries risk of losing a dissatisfied customer to competitor.

Intangibility

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- Treatment of disease or relief from pain
- Good decoration with easy access to items in a retail store
- Convenient and fast operation of net banking on bank website
- Creating a brand

Intangibility

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- Services - ideas and concepts (can not be seen, felt ….)
- Products – things
- Service innovations are not patentable.
- To take advantage of the idea, the firm must expand rapidly and preempt any competition.
- Franchising? (helps the parent company to sell its idea to local entrepreneur, preserve money and keep control)
- A customer can see the product, feel it etc. In case of service, the customer has to depend only on brand reputation.
- Some intervention by government in the form of registration, licensing, regulation to define standards. (TRAI, IRDA, Banking, restaurants building plans, license to doctor, net banking operations on a secure website, credit card operations online, training to cab operators)

Heterogeneity

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- Uber & Ola interaction
- Doctors & nurses in a hospital or in nursing home
- Different behavior of staff in bank
- Behavior of hotel staff, receptionist
- My personal experience with airline

Intangible nature of service and customer as a participant results in variation in service from customer to customer.

Monitoring performance and output of each employee, can not be done.

In service, the work activity generally is oriented toward people rather than things. Monitoring performance of each employee quite difficult. Customer can be used to provide feedback.

- This variation can be reduced thro self service.
- Automation
- Using information technology
- Training & development, creating an organization framework
- Happy, cheerful, better paid employees, welfare

Nontransferable Ownerships

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- Taking a house on rent, Airbnb. Zoom car
- Hotel accommodation
- Seat in an airline, going to a theme park
- Using a telecom network
- Housekeeping services
- Treatment by doctor

Customer using the asset

Services do not involve transfer of ownership, unlike product.
Resources are shared with customers over a time / space.

Nontransferable Ownerships

QLeNPro

Types of service	Customer Value	Examples	Management Challenge
Goods Rental	Obtain temporary right to exclusive use	Vehicles, tools, furniture, equipment	Site selection and maintenance
Place & Space rental	Obtain exclusive use of defined portion of a larger space	Hotel room, seat on aeroplane, storage unit	Housekeeping and achieving economies of scale
Labor & expertise	Hire other people to do a job	Car repair, surgery, management consulting,	Expertise (CIP)
Physical facility usage	Gain admission to a facility for a period of time	Theme park, campground, Gym	Queing and crowd control
Network usage	Gain access to participate	Electric utility, telecom network	Availability and pricing decisions

Nontransferable Ownerships

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Challenges

- Uptime of facilities (could be 24*7) is critical
- Maintenance and housekeeping of facilities
- And, it is expected that customer will handover the facility in almost original condition after use??
- Location of facility is critical
- Providing extra facilities can fetch extra money
- AIRBNB with and without cook, housekeeping
- Making such facilities can get more money however, keeping such staff engaged is a challenge.

The Service Package

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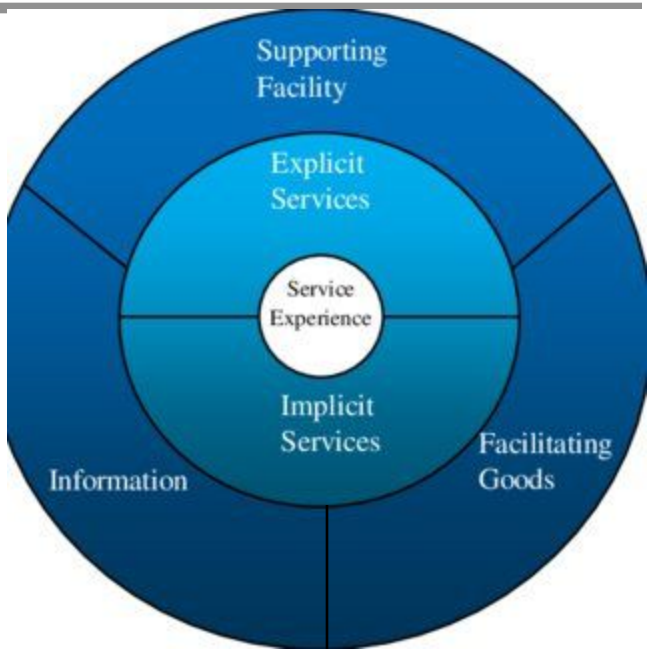
A good product with arrogant sales person
A good product with polite and helpful sales person
Misal Pav at a traditional restaurant in Pune

A Service Package provides a detailed description of package of bundled services available to be delivered to customers.

Consist of five features

- Supporting facility
- Facilitating goods
- Information
- Explicit services
- Implicit services

peeling the onion



The Service Package

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Supporting facility

The physical resources that must be placed before a service can be offered.

Location – access by public transport or transport provided by the company

Interior decoration – creating a proper mood, type of furniture, aesthetics

Supporting equipment – charging kit, mouthwash, easy access,

Challenges: location, interior decoration, supporting equipment, facility layout

Facilitating goods

The material purchased or consumed by the buyer or the item provided by the buyer.

Medical supplies, Badminton racquet, food items, legal documents

Focus of service provider: Consistency, quantity

The Service Package

QLeNPro

Information

The data that is available from the customer or service provider to enable efficient and customized services.

Past medical records, customer preferences as captured from CRM data by the hotel chain, past purchases on e-commerce website,

Challenges: Speed of retrieval of data, accuracy, Useful

Explicit Services

The benefits that are readily observable by the senses and consist of essential intrinsic features of the service.

No pain after putting the plaster by doctor, satisfied after having dinner in the restaurant

Could get all the items in the grocery after visiting the retail store

Challenges: Training of service personnel, Comprehensiveness, Consistency, Availability

The Service Package

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Implicit Services

Psychological benefits that the customer may sense only vaguely.

Owning a Mercedes, privacy of a loan office, Drive-in at MacDonald's, 10 minutes home delivery

Challenges

Attitude of services, Atmosphere, Waiting, status, sense of well-being, privacy and security, convenience

The Service Encounter

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- Services are mainly encounter between the customer and service provider.
- This interaction defines the quality of services – "moment of truth"
- Encounter is a moment in time when the customer is evaluating the service and forming opinion of its quality.
- A customer experiences many encounters with a variety of service providers.
- Each moment of truth is an opportunity to influence the customer's perception of service quality.
- Service encounters by airlines passenger
  - Purchasing ticket
  - Check-in
  - In-flight services
  - Baggage claim on arrival
  - Award of frequent flyer credit

For SAS (Scandinavian Airlines Services), it was important that the people facing customers are served well. Therefore the people facing customers were taken at the top of hierarchy

Role of Technology

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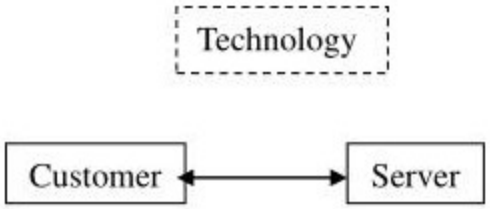
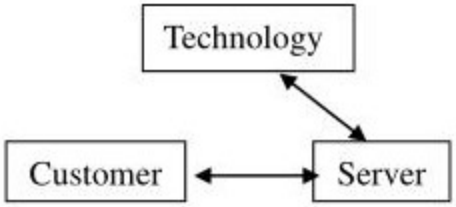
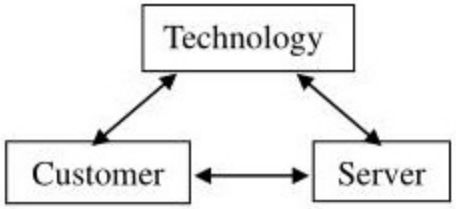


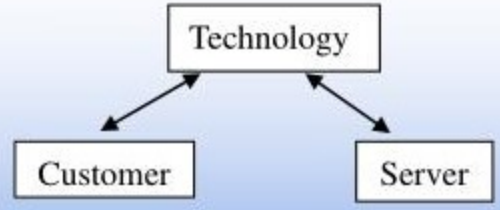
A. Technology-Free Service Encounter



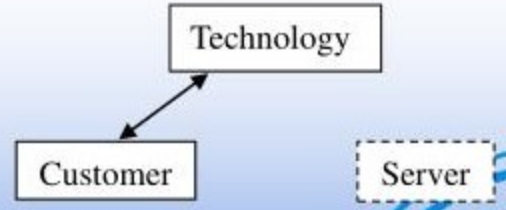
B. Technology-Assisted Service Encounter



C. Technology-Facilitated Service Encounter



D. Technology-Mediated Service Encounter



E. Technology-Generated Service Encounter

Emergence of Self Service

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- Our daily life – going out of station – in developed countries
- *Ready to cook food – credit cards – fast tag – self check in – self check out – google pay – ATM - online banking – calling on 1800-***
- Main aim – elimination of labour costs for nonproductive activities
- Customer preference – increased customization, accuracy, convenience and speed
- Migration of service activities from human interaction to anywhere – anytime electronic service is similar to automation in manufacturing and agriculture.
- Flip side – implications on low wage, unskilled, *non-value added service jobs*?
- Service jobs will be limited to highly skilled (health care), intellectual (Consultants), creative types (entertainment)
- Indian Scenario??

Emergence of Self Service

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Service Industry	Human Contect	Machine Assisted	Internet Facilitated
Banking	Teller	ATM	Online banking
Grocery	Checkout Clerk	Self check-out station	Online order/delivery
Airlines	Ticket agent	Check-in kiosk	Pring boarding pass
Restaurants	Service personal	Vending machine	Online order/delivery
Movie Theater	Ticket Sale	Kiosk Ticketing	Pay-per-view, OTT
Book Store	Information clerk	Stock-availability terminal	Online shopping
Gambling	Poker dealer	Computer poker	Online poker

The Service Encounter Triad

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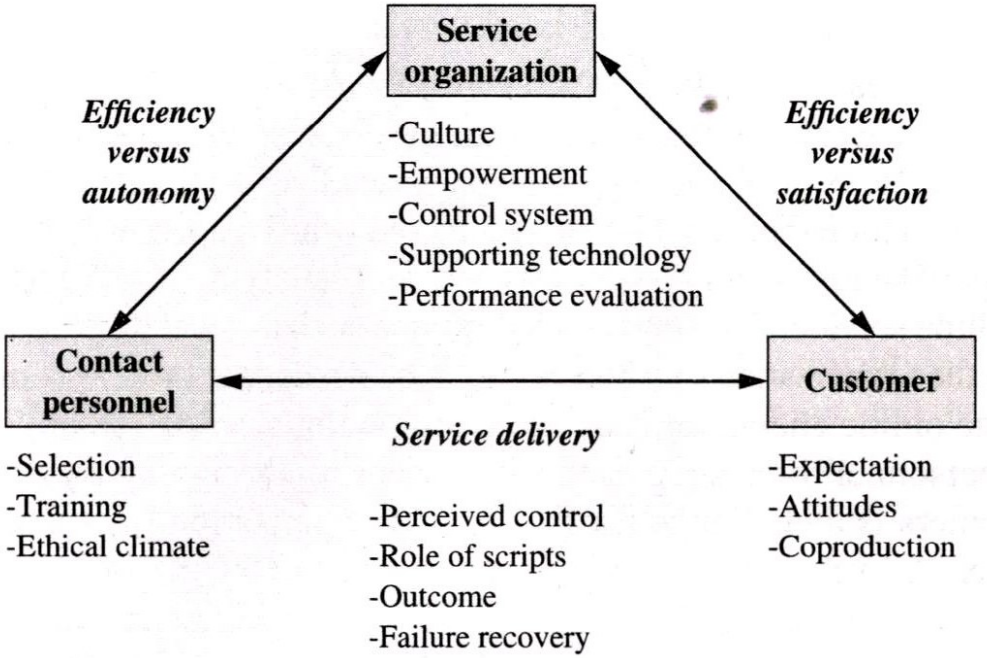

- **Encounter dominated by Service Organization**
- **Encounter dominated by Contact Personnel**
- **Encounter dominated by Customer**

The Service Encounter Triad

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Encounter dominated by Contact Personnel

The issue is who controls the encounter contact person or customer

Service personnel attempt to limit the scope of service encounter to reduce their own stress in meeting demanding customers.

When contact person is placed in an autonomous position, he or she may perceive themselves as having significant degree of control over customers.

Customer is expected to place considerable trust in contact person's judgement due to service provider's expertise.

Example: Doctor and patient in a reputed hospital. Patient is not referred as customer here. Has no control during the encounter. Is subjected to number of demands from medical staff.

Culture

Many times a customer chooses one firm (service provider) over others based on firm's reputation as a good place to work or shop.

- **Examples, Federal Express with Motto "Absolutely, Positively Overnight", Disney theme parks – entertainment – all employees are called "cast members",**

Empowerment

Empowerment does not begin with delegation, but by trusting unconditionally the inherent power within employees to evaluate choices and completely execute creative decisions.

The Service Organization

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Middle management has no longer the traditional supervisory role, rather they act as a facilitator. Investment in IT necessary to provide necessary information to frontline people.

Control System

Control System	It means	Objective	Employee Challenge	Management Challenge	Key issues
Belief	Facilitated by well articulated organization culture	Contribute	Uncertainty about purpose	Communicate core values and mission	Identify core values
Boundary	Defines limits to emloyee initiatives (do not commit financial liability more than 100,000)	Compliance	Pressure or temptation	Specify and enforce rules	Risk to be avoided
Diagnostics	Defines measureable goals to achieve (OTD - > 90%)	Achieve	Lack of focus	Build and support clear targets	Critical performance variables
Interactive	Appropriate for "knowledge industries" like consulting firms, here the survival depends on creative solution to customer.	Create	Lack of opportunity or fear of taking risk	Open organizational dialogue to encourage learning	Strategic uncertainties

Empowered contact personnel must be motivated, informed, competent, committed and well-trained.

Front-line personnel should exhibit the ability to take responsibility, manage themselves and respond to pressure from customers.

Customer Relationship Management

CRM is an IT tool, database, that helps an enterprise to manage its relationships with existing and prospective customers.

Customer Relationship Management

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Providing Employees with information to know their customers, understand their needs and build effective relationships with customers and partners

Assisting sales management by optimizing and sharing information among multiple employees, monitoring social media sites for effective customer support

Service Provider in Service Encounter

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- Service Provider (Organization Representative) Could be Man or Machine
  - If Human, customer expects courtesy, respect, safety & comfort
  - If Machine, convenience & ease-of-use as well as Clear instructions on how to use

Service Provider in Service Encounter

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- Service provider expects from customers
  - Courtesy
  - Appreciation
  - Right information

- Service provider expects from service organization
  - Appreciation from fellow members & management
  - Training regarding innovation & flexibility to recover during unexpected service failure
  - Clear instructions regarding the discretion

Contact Personnel

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Attributes

- Flexibility, tolerance for ambiguity, ability to monitor and change behavior as per situation
- Empathy for Customers
- Necessary interpersonal skills to gravitate towards high contact service jobs.

Selection

- Abstract questioning,
- situational vignette,
- Role playing

Challenges facing Customer Contact Personnel

Problem Customers

- Unreasonable demands
- Abusive or hostile attitude
- Inappropriate behavior
- Unanticipated demand
- Demands contrary to policies

Service Failure

- Unavailable service
- Slow performance
- Unacceptable service

Creating an Ethical Climate

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Examples of unethical behaviors in Customer contact settings

Misrepresenting the nature of services	Customer manipulation	General Honesty and integrity
Promoising a non smoking room when none is available	Giving away a guaranteed reservation	Treating customer unfairly or rudely
Using bait-and-switch tactics	Performing unnessary services	Being unresponsive to customer requests
Creating false need for service	Padding a bill with hidden charges	Failing to follow stated company policies
Misrepresenting credentials for service provider	Hiding damage to customer possesions	Stealing customer credit card information
Exaggerating the benefits of a specific service offering	Making it difficult to invoke a service guarantee	sharing customer information with third parties

Both formal controls (enforcement of ethical codes and punishment for ethical violations) and informal controls (discussions of ethics, internalization of a code of ethics and ethical climate) are central to promoting ethical behavior, will lead to service quality and job satisfaction.

Customer in Service Encounter

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Every purchase in an event of some importance for the customer

And

The same transaction is routine for the service provider.

Emotional involvement of customer with transaction at ATM or overnight stay at budget hotel is minor.

But

The role played by customer taking an exotic vacation or seeking medical treatment are different.

But,

It is very difficult for service personnel, seeing hundreds of customers, to maintain similar levels of commitment.