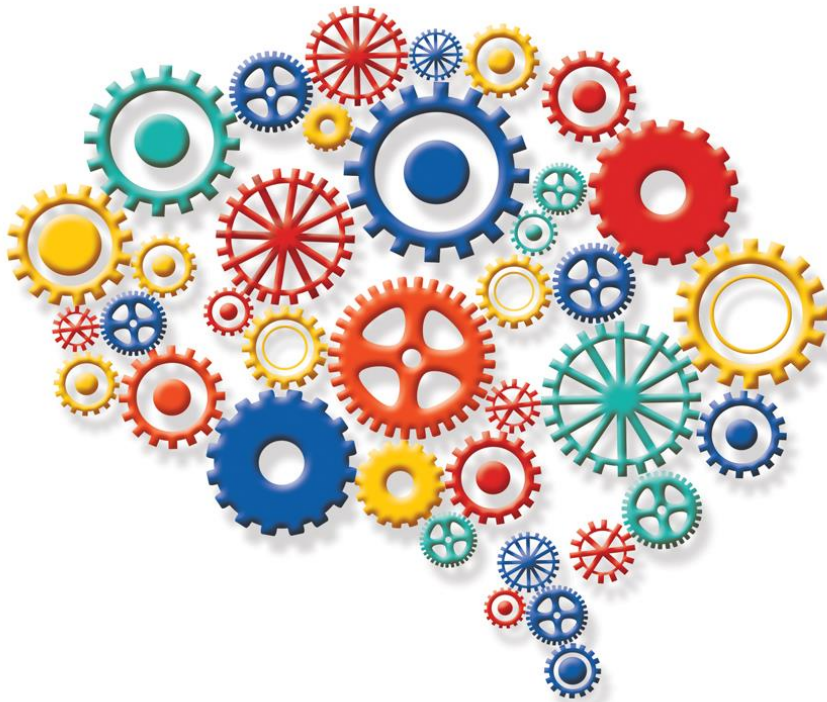
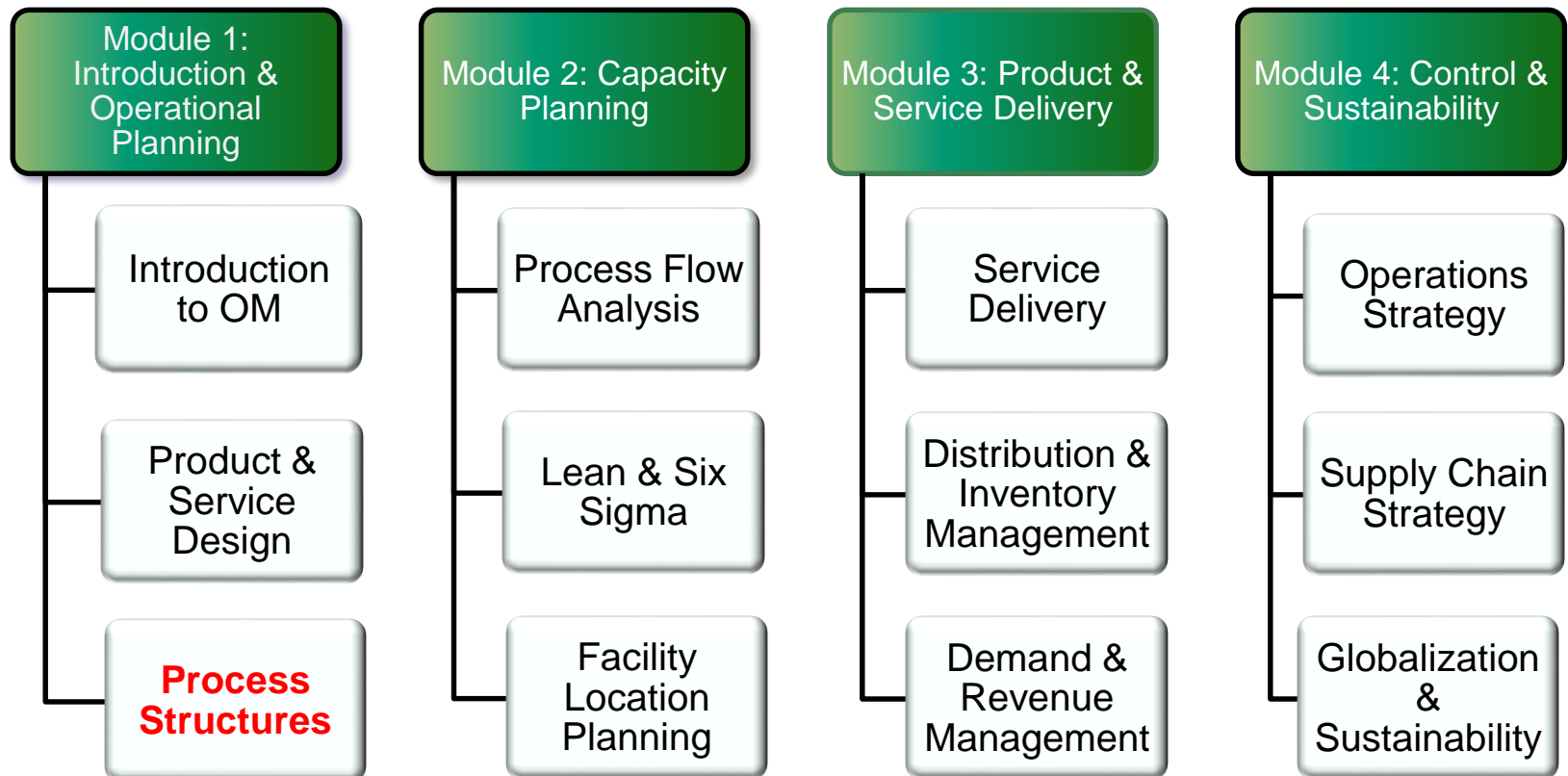


# Lecture 3

## Process Structure




# Course Structure



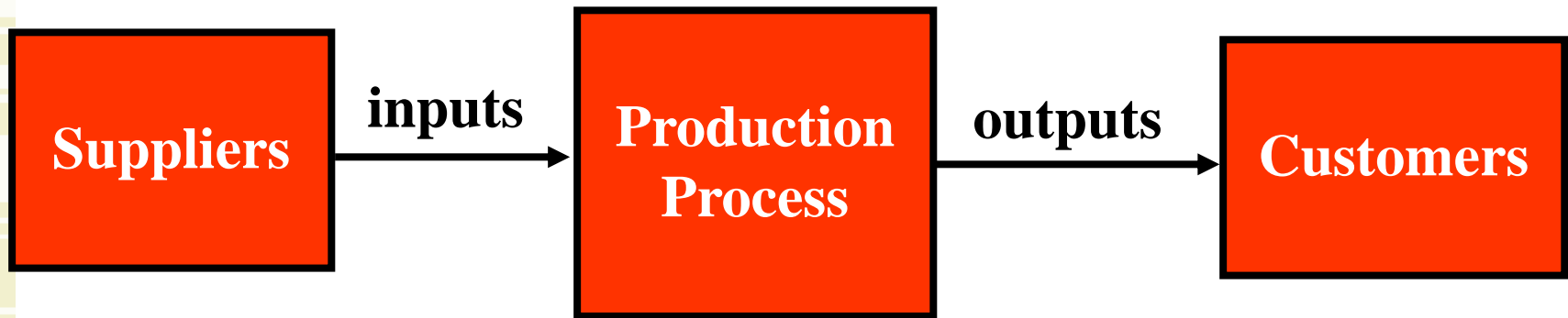


# Learning Objectives

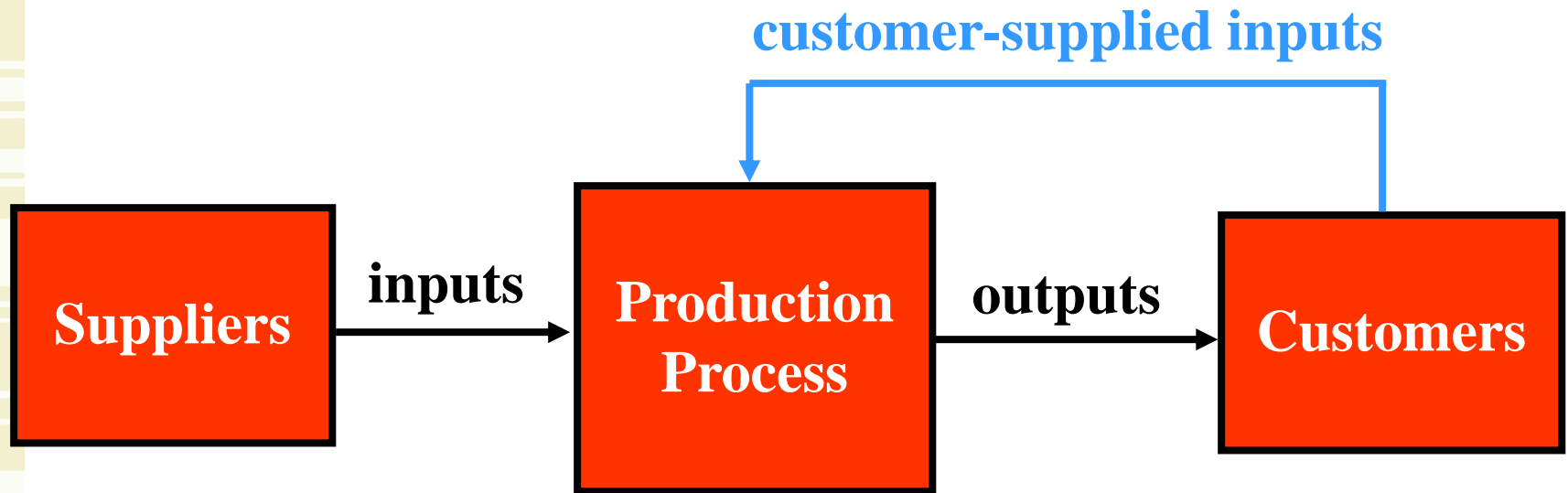
---

- 
- Compare and contrast service versus manufacturing.
  - Describe the definition and nature of services.
  - Identify the importance of service package.
  - Explain the process structure and service-system design matrix
  - Analyse and test new services using service blueprinting

# The Manufacturing I/O Model



# The Service I/O Model



# Services vs. Manufacturing

- Services sometimes involve intangible products or outcomes, but...
- Tangibility is *not* the criterion to differentiate services and manufacturing.

A better way is...

- **Services require inputs from and/or involve interaction with the customers**
  - Customer inputs may include themselves, their belongings or information

# Service vs. Manufacturing

- Services often require customization
  - **Manufacturing likes standardization for efficiency**
- Service capacity cannot easily be inventoried
  - **Manufacturing often uses inventory to balance supply and demand**
- Services often have low barrier to entry
  - **Manufacturing has high barrier to entry because of substantial investment in facilities**



# Service Definitions

- A service is a *time-perishable*, hence, opportunity loss of idle capacity.
- *Intangible experience* performed for a customer acting in the role of a **co-producer**.
- Service enterprises are organizations that facilitate the production and distribution of goods, support other firms in meeting their goals, and *add value* to our personal lives.





# Designing Service Organizations

- Cannot inventory services.
  - Must meet demand as it arises.
- Service capacity is a dominant issue.
  - “What capacity should I aim for?”
- Marketing can adjust demand.
- Waiting lines can help with capacity.
- Lacks legal protection
- Service offerings can be changed virtually overnight.

# The Service Package

It is defined as a bundle of goods and services with information that is provided in some environment. The bundle consists of:-

**Supporting Facility:** The physical resources that must be in place before a service can be sold. Examples: clinic, restaurant, theatre



**Facilitating Goods:** The material consumed by the buyer or items provided by the provider. Examples: medical equipment, food and beverages, movies.



# The Service Package (cont.)

- **Information:** Operations data or information that is provided by the customer to enable efficient and customized service. Examples: patient medical history records customer preferences of choices



- **Explicit Services:** Benefits readily observable by the senses. Examples: the absence of pain after a tooth is repaired, reserved seats of booking



- **Implicit Services:** Psychological benefits the consumer may sense only vaguely. Examples: friendly doctor, hygiene of cookware



# Process Design at Noodles & Co.



quick



fresh



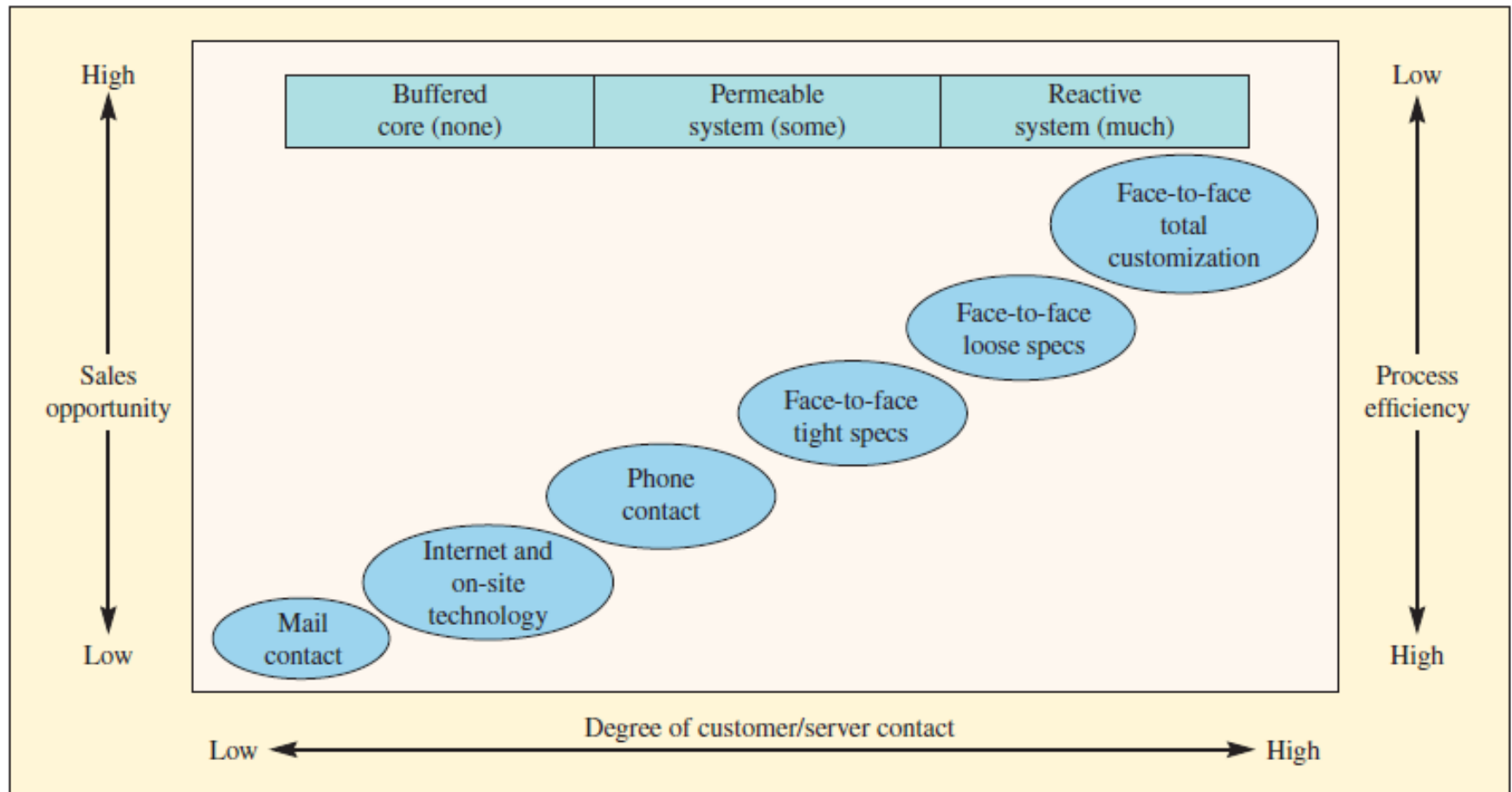
high  
quality

# Structuring the Service Encounter: Service-System Design Matrix

---

- Service encounters can be configured in a number of different ways.
  1. Mail contact
  2. Internet and on-site technology
  3. Phone contact
  4. Face-to-face tight specs
  5. Face-to-face loose specs
  6. Face-to-face total customization
- Production efficiency decreases with more customer contact.
- Low contact allows the system to work more efficiently.

# Service-System Design Matrix



# Service Blueprinting

Developing a new service based on subjective ideas involves costly trial-and-error efforts to translate the concept into reality

*Service blueprint* - a visual diagram of a service delivery system; an effective way to describe the service delivery process with a flow diagram

- The line of visibility separates activities of the front office from those of the back office,
- *Service marketing* is critical for front office where sales opportunity is emphasized;
- *Service operations management* is critical for the back office where operation efficiency is emphasized
- Managers can identify potential fail points



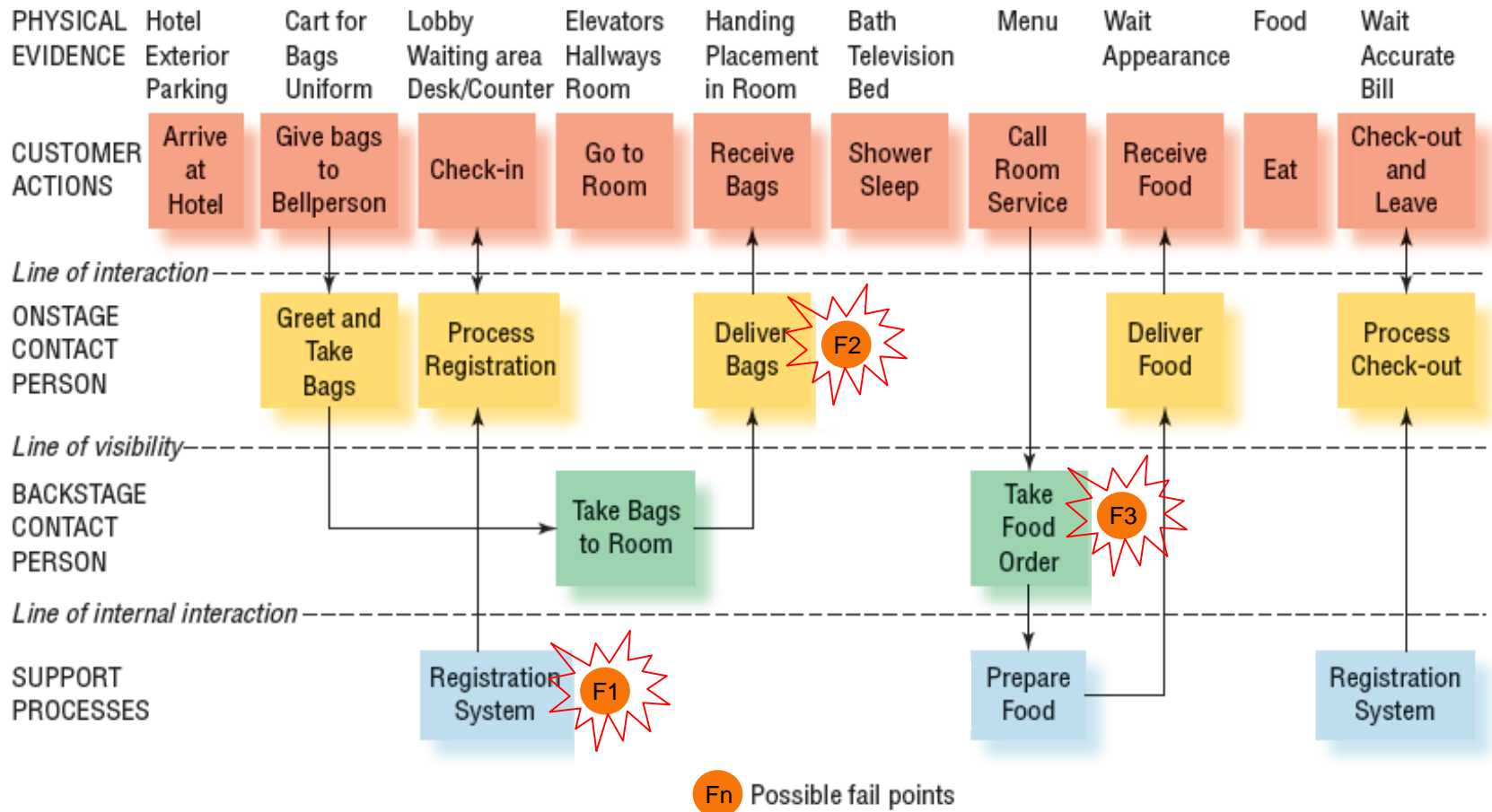
# Service Blueprinting

- **Customer actions:** all actions done by customers during service delivery
- **Front office:** employee actions in the face-to-face encounter
- **Back office/invisible contact employee actions:** invisible interactions with customers e.g. telephone calls and other activities employees undertake to prepare to serve customers.
- **Support processes:** activities necessary for the service, done by employees without direct customer contact, but are crucial to the service.
- **Physical evidence:** all the tangibles that the customers see or collect from the organization



# Service Blueprinting

**FIGURE 5-3** Service Blueprint for a Hotel Stay



Sources: <http://knowledge.wpcarey.asu.edu/article.cfm?articleid=1546>; and M.J. Bitner, A.L. Ostrom, and F.N. Morgan, "Service Blueprinting: A Practical Technique for Service Innovation," *California Management Review* 50, no.3 (Spring 2008), p. 66.

# ***Key Take Away***

- Service versus manufacturing
- Service package - 5 components
- Service-system design matrix (levels of service encounter)
- Service blueprinting

