

Service Management

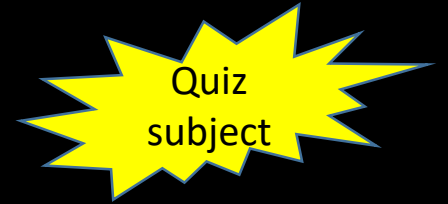
Mihai Pascadi

SERVICES: Role, Nature, Strategy

1

Services ?

Services: D1



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

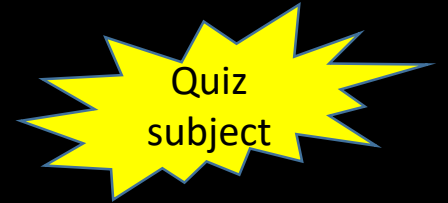
"(Christian Gronroos, Service Management and Marketing, Lexington, Mass: Lexington Books, 1990, p. 27.)"

Services: D2

- Most authorities consider the services sector to include
 - all economic activities whose output
 - is not a physical product or construction,
 - is generally consumed at the time it is produced, and
 - provides added value in forms (such as
 - convenience,
 - amusement,
 - timeliness,
 - comfort, or
 - health) that
 - are essentially intangible concerns of its first purchaser.

(James Brian Quinn, Jordan J. Baruch, and Penny Cushman Paquette, Scientific American, vol. 257, no. 2, December 1987, p. 50.)

Services: D3



"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
 - 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 systems;
- but they do not normally take ownership of any of the physical elements involved."

(Christopher Lovelock and Lauren Wright, Services Marketing: People, Technology, Strategy, 6 th ed., Upper Saddle River, NJ: Prentice-Hall, 2007, p. 6.)

Services: D4

"A service system is a

- value-coproduction configuration of
 - people,
 - technology,
 - other internal and external service systems, and
 - shared information (such as
 - language,
 - processes,
 - metrics,
 - prices,
 - policies, and
 - laws)."

(Jim Spohrer, Paul Maglio, John Bailey, and Daniel Gruhl, Computer, January 2007, p. 72.)

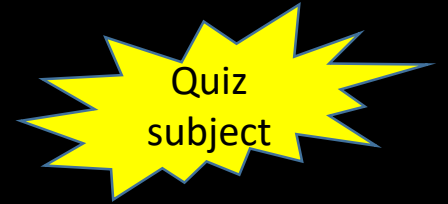
Services: D5

A service is

- a
 - time-perishable,
 - intangible
- experience
 - performed for a customer acting in the role of co-producer.

(James Fitzsimmons)

Services: D6



“A service is

- an act of performance that
 - one party can offer to another that
 - is essentially intangible and
 - does not result in the ownership of anything.

Its production may or may not be tied to a physical product”

(Philip Kotler)

<https://www.slideshare.net/sanchitgangar/classification-and-characteristics-of-a-service/2>

Classifying economic activities (including services) by the EU

<https://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF>

Classification of economic activities

Quiz
subject

134. The following table presents the “high-level SNA/ISIC aggregation A*10/11”:

	ISIC Rev. 4/ NACE Rev. 2 sections	Description
1	A	Agriculture, forestry and fishing
2	B, C, D and E	Manufacturing, mining and quarrying and other industry
2a	C	<i>Of which: manufacturing</i>
3	F	Construction
4	G, H and I	Wholesale and retail trade, transportation and storage, accommodation and food service activities
5	J	Information and communication
6	K	Financial and insurance activities
7	L	Real estate activities*
8	M and N	Professional, scientific, technical, administration and support service activities
9	O, P and Q	Public administration, defence, education, human health and social work activities
10	R, S, T and U	Other services

* which includes imputed rents of owner-occupied dwellings

	A*38 code	ISIC Rev. 4/ NACE Rev. 2	Divisions
1	A	Agriculture, forestry and fishing	01 to 03
2	B	Mining and quarrying	05 to 09
3	CA	Manufacture of food products, beverages and tobacco products	10 to 12
4	CB	Manufacture of textiles, apparel, leather and related products	13 to 15
5	CC	Manufacture of wood and paper products, and printing	16 to 18
6	CD	Manufacture of coke, and refined petroleum products	19
7	CE	Manufacture of chemicals and chemical products	20
8	CF	Manufacture of pharmaceuticals, medicinal chemical and botanical products	21
9	CG	Manufacture of rubber and plastics products, and other non-metallic mineral products	22 + 23
10	CH	Manufacture of basic metals and fabricated metal products, except machinery and equipment	24 + 25
11	CI	Manufacture of computer, electronic and optical products	26
12	CJ	Manufacture of electrical equipment	27
13	CK	Manufacture of machinery and equipment n.e.c.	28
14	CL	Manufacture of transport equipment	29 + 30
15	CM	Other manufacturing, and repair and installation of machinery and equipment	31 to 33
16	D	Electricity, gas, steam and air-conditioning supply	35
17	E	Water supply, sewerage, waste management and remediation	36 to 39
18	F	Construction	41 to 43
19	G	Wholesale and retail trade, repair of motor vehicles and motorcycles	45 to 47

19	G	Wholesale and retail trade, repair of motor vehicles and motorcycles	45 to 47
20	H	Transportation and storage	49 to 53
21	I	Accommodation and food service activities	55 + 56
22	JA	Publishing, audiovisual and broadcasting activities	58 to 60
23	JB	Telecommunications	61
24	JC	IT and other information services	62 +63
25	K	Financial and insurance activities	64 to 66
26	L	Real estate activities*	68
27	MA	Legal, accounting, management, architecture, engineering, technical testing and analysis activities	69 to 71
28	MB	Scientific research and development	72
29	MC	Other professional, scientific and technical activities	73 to 75
30	N	Administrative and support service activities	77 to 82
31	O	Public administration and defence, compulsory social security	84
32	P	Education	85
33	QA	Human health services	86
34	QB	Residential care and social work activities	87 + 88
35	R	Arts, entertainment and recreation	90 to 93
36	S	Other services	94 to 96
37	T**	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	97 + 98*
38	U**	Activities of extra-territorial organisations and bodies	99*

* including imputed rents of owner-occupied dwellings

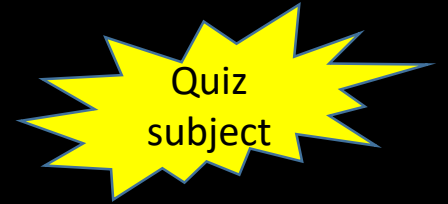
** All of U and part of T (division 98) are outside the SNA production boundary, and will be empty for SNA data reporting, but are included for completeness.

Services features

1. Intangibility
2. Perishability
3. Inseparability
4. Heterogeneity
5. Ownership
6. Simultaneity
7. Quality measurement
8. Nature of demand
9. Customer Participation
10. Customized / Taylored / Personalized
11. Quota in the Added Value

<https://www.slideshare.net/sanchitgangar/classification-and-characteristics-of-a-service/2>

1. Intangibility



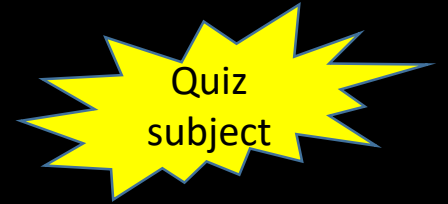
- Can not be touched (not physical objects)
- Seeing, touching, hearing, smelling or tasting the goods – not applicable to services
- Services not known the the customer before taking them

Characteristics of Service Operations:

Intangibility – a service innovation is not patentable

- Fast expansion (before competition does)
- Franchizing
- As opposed to goods, service quality level is to be experienced on delivery:
 - Registration
 - Licensing
 - Regulationby the government in defending customer's interest.

2. Perishability



- Value of service exists at the point when it is required
- Services perish as they are used
- Services last for a specific time and cannot be stored like a product for later use

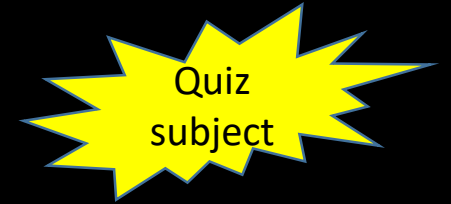
Characteristics of Service Operations:

Perishability – a service is lost forever if not used

- Smoothing demand
 - Reservations or appointments
 - Price incentives (for service consumption outside peak hours)
 - Marketing against peak times
- Adjust service capacity
 - Using part-time help during peak hours
 - Scheduling work shifts according to demand
 - Increasing Customer self-service
- Allow customers to wait

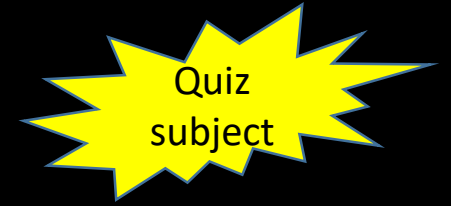
3. Inseparability

- From the service provider
- Therefore: the service provider is part of the service
- Production and consumption of services go hand in hand



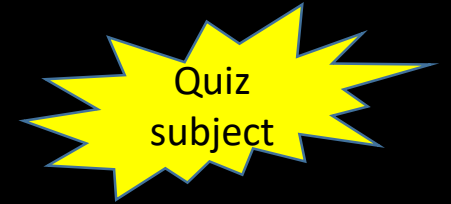
4. Heterogeneity

- Difficult to standardize the quality



5. Ownership

- No transfer of ownership as for goods



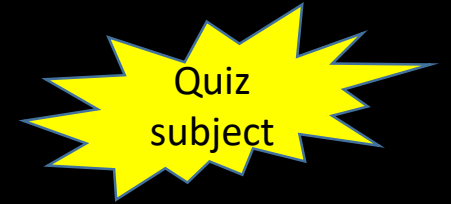
Characteristics of Service Operations:

Non-ownership – no transfer of ownership takes place

Type of Service	Customer Value	Examples	Management Challenge
Goods rental	Obtain temporary right to exclusive use	Vehicles, tools, furniture, equipment	Site selection and maintenance
Place and space rental	Obtain exclusive use of defined portion of a larger space	Hotel room, seat on airplane, storage unit	Housekeeping and achieving economies of scale
Labor and expertise	Hire other people to do a job	Car repair, surgery, management consulting	Expertise is a renewable resource, but time is perishable
Physical facility usage	Gain admission to a facility for a period of time	Theme park, camp ground, physical fitness gym	Queuing and crowd control
Network usage	Gain access to participate	Electric utility, cell phone, Internet	Availability and pricing decisions

6. Simultaneity

- The moment of delivery = moment of consumption



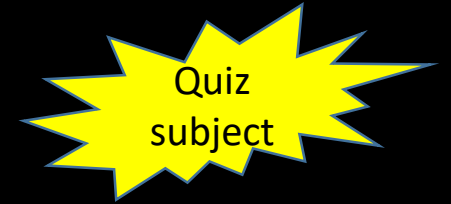
Characteristics of Service Operations:

Simultaneity of delivery and consumption

- No absorption of fluctuations in demand = no storage possibility

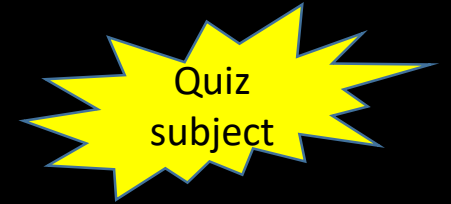
7. Quality measurement

- Tools required
- Service Level
- Difficult to rate-quantify



8. Nature of Demand

- Fluctuating in nature
- Abnormal, sudden, seasonal, situational, dependent
- A service, once consumed, cannot be returned

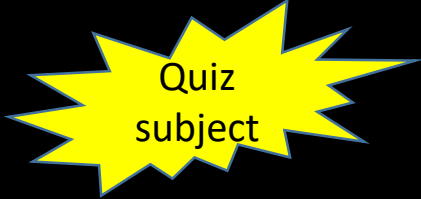


Services by Customer Participation

	Customer participation	
	<i>Passive</i>	<i>Active</i>
<i>Absorption</i>	Entertainment (movie)	Education (language)
<i>Immersion</i>	Estheticism (tourist)	Escapism (scuba diving)

Characteristics of Service Operations:

Customer participation in the Service Process



Quiz
subject

Characteristics of Service Operations:

Heterogeneity – intrinsic variability of service

- Development of standards
- Development of metrics – performance indicators
- Measuring Customer Satisfaction

Happy customers = Happy employees

Typology of services

TABLE 1.4

Typology of Services in the 21st Century

Source: Adapted from Bryson, J. R., P. W. Daniels, and B. Warf. *Service Worlds: People, Organizations, Technologies*. New York: Routledge, 2004, p. 33.

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	Health care, recreation, tourism
Regulation	Establish rules and regulations	Environment, legal, patents

Packaging products and services

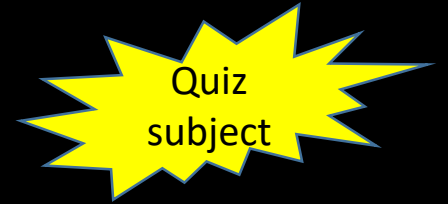
The blurry border between goods and services

- Goods+Services come together in many cases

Element		Core Goods Example	Core Service Example
Business Core Peripheral goods Peripheral service Variant (differentiating from competitors)		Custom clothier	Business hotel
		Business suits	Room for the night
		Garment bag	Bathrobe
		Deferred payment plans	In-house restaurant
		Coffee lounge	Airport shuttle

The goods-services continuum

Services features



1. **Intangibility** - Can not be touched (not physical objects), can not be returned
2. **Perishability** - Services last for a specific time and cannot be stored like a product for later use
3. **Inseparability** – From the service provider
4. **Heterogeneity** – Difficult to standardize the deliverable / quality
5. **Ownership** - No transfer of ownership as for goods
6. **Simultaneity** - The moment of delivery = moment of consumption
7. **Quality measurement** - Difficult to rate-quantify
8. **Nature of demand** – fluctuant, abnormal, sudden, seasonal, situational, dependent
9. **Participation** - Customer's participation in the value-creation process
10. **Customized / Taylored / Personalized** – specific for the Customer's needs (specifications)
11. **Quota in the Added Value** – How much of the product is a pure good and how much is it a service

<https://www.slideshare.net/sanchitgengar/classification-and-characteristics-of-a-service/2>

Let's identify some services

- You have to decide if an activity is producing a good or a service
- You have to do this for 30+ activities in a form

[https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Statistical classification of economic activities in the European Community \(NACE\)](https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Statistical_classification_of_economic_activities_in_the_European_Community_(NACE))



The screenshot shows the Eurostat Statistics Explained website. The header includes the Eurostat logo, a search bar, and navigation links for Tutorials, log in, and English. The main content area is titled "Glossary: Statistical classification of economic activities in the European Community (NACE)". Below the title, there is a paragraph explaining that NACE is the Statistical classification of economic activities in the European Community, abbreviated as NACE, and is derived from the French *Nomenclature statistique des activités économiques dans la Communauté européenne*. It also mentions that various NACE versions have been developed since 1970. A second paragraph states that NACE is a four-digit classification providing the framework for collecting and presenting a large range of statistical data according to economic activity in the fields of economic statistics (e.g. production, employment and national accounts) and in other statistical domains developed within the European statistical system (ESS).

NACE SV01

Please check the below activities if services based on analyzing their features.

*Obligatoriu

01.1 Growing of non-perennial crops *

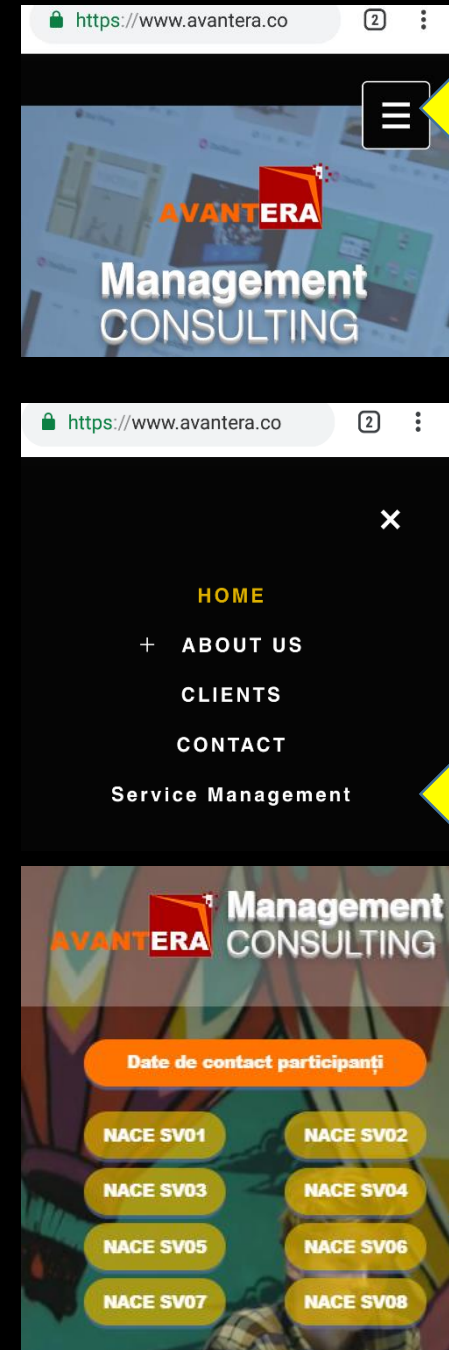
- ☐ The activity produces a SERVICE (check if true)
- ☐ 1.Intangibility - Can not be touched (not physical objects), can not be returned
- ☐ 2.Perishability - Services last for a specific time and cannot be stored like a product for later use
- ☐ 3.Inseparability - From the service provider
- ☐ 4.Heterogeneity - Difficult to standardize the deliverable / quality
- ☐ 5.Ownership - No transfer of ownership as for goods
- ☐ 6.Simultaneity - The moment of delivery = moment of consumption
- ☐ 7.Quality measurement - Difficult to rate-quantify
- ☐ 8.Nature of demand - fluctuant, abnormal, sudden, seasonal, situational, dependent
- ☐ 9. Customer Participation - Customer's participation in the value-creation process
- ☐ 10. Customized / Tailored / Personalized - specific for the Customer's needs (specifications)
- ☐ 11. Quota in the Added Value - How much of the product is a pure good and how much is it a service

02.1 Silviculture and other forestry activities *

- ☐ The activity produces a SERVICE (check if true)

Let's identify some services

- Split into 16 teams
- Enter our site from your mobile phones
- Choose the Service Management section
- Choose the proper form:
 - 1 and 9 choose NACE SV01
 - 2 and 10 choose NACE SV02
 - 3 and 11 choose NACE SV03
 - 4 and 12 choose NACE SV04
 - 5 and 13 choose NACE SV05
 - 6 and 14 choose NACE SV06
 - 7 and 15 choose NACE SV07
 - 8 and 16 chose NACE SV08



GENERAL AGREEMENT ON TRADE IN SERVICES

Quiz
subject

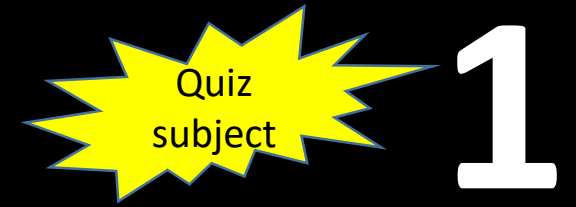
<https://unstats.un.org/unsd/tradekb/Knowledgebase/Sectoral-Classification-List-W120>







Professional Services
Computer and Related Services
Research and Development Services
Real Estate Services
Rental/Leasing Services without Operators
Other Business Services





Professional Services

Computer and Related Services
Research and Development Services
Real Estate Services
Rental/Leasing Services without Operators
Other Business Services

Quiz
subject

1

Legal Services

Accounting, auditing and bookkeeping services

Taxation Services

Architectural services

Engineering services

Integrated engineering services

Urban planning and landscape architectural services

Medical and dental services

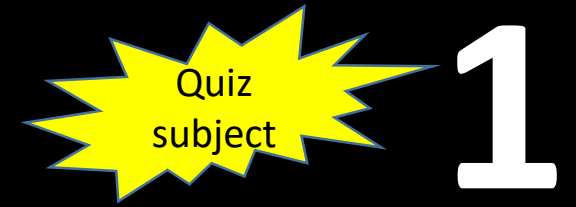
Veterinary services

Services provided by midwives, nurses, physiotherapists and para-medical personnel

Other



Professional Services
Computer and Related Services
Research and Development Services
Real Estate Services
Rental/Leasing Services without Operators
Other Business Services



Advertising services
Market research and public opinion polling services
Management consulting service
Services related to man. consulting
Technical testing and analysis serv.
Services incidental to agriculture, hunting and forestry
Services incidental to fishing
Services incidental to mining
Services incidental to manufacturing
Services incidental to energy distribution

Placement and supply services of Personnel
Investigation and security
Related scientific and technical consulting services
Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment)
Building-cleaning services
Photographic services
Packaging services
Printing, publishing
Convention services
Other



Quiz subject 2

Postal services
Courier services
Telecommunication services
Audiovisual services
Other



Quiz
subject

3

General construction work for buildings
General construction work for civil engineering
Installation and assembly work
Building completion and finishing work
Other

WHOLESALE TRADE



RETAIL TRADE



Quiz
subject

Commission agents' services
Wholesale trade services
Retailing services
Franchising
Other



Primary education services
Secondary education services
Higher education services
Adult education
Other education services



Sewage services
Refuse disposal services
Sanitation and similar services
Other

All insurance and insurance-related services
Banking and other financial services
Other



Quiz
subject

8

Hospital services
Other Human Health Services
Social Services
Other



Hotels and restaurants (incl. catering)
Travel agencies and tour operators services
Tourist guides services
Other



Entertainment services (including theatre, live bands and circus services)
News agency services
Libraries, archives, museums and other cultural services
Sporting and other recreational services
Other

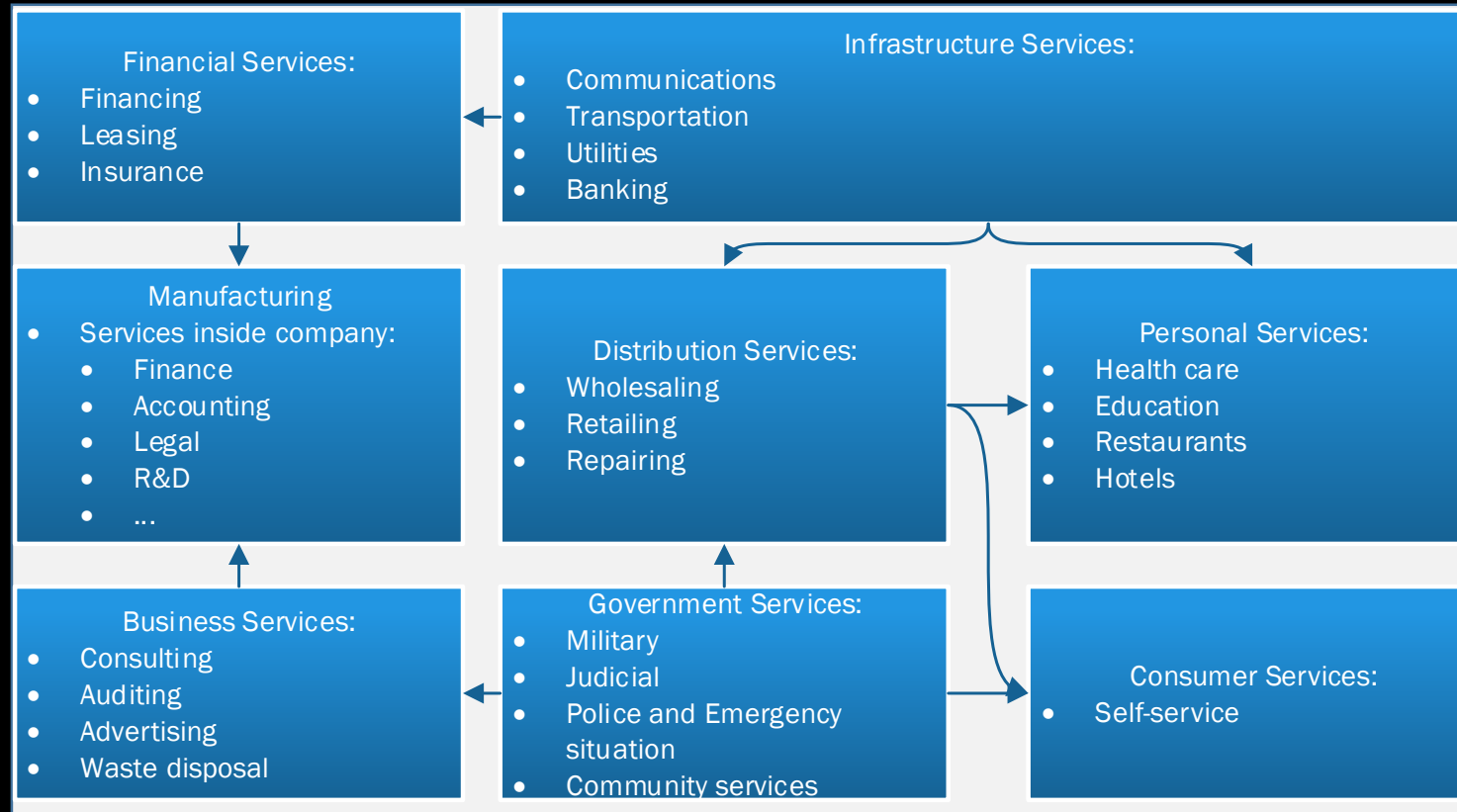


Maritime Transport Services
Internal Waterways Transport
Air Transport Services
Space Transport
Rail Transport Services
Road Transport Services
Pipeline Transport
Services auxiliary to all modes of transport



ROLE OF SERVICES IN AN ECONOMY

Services for services



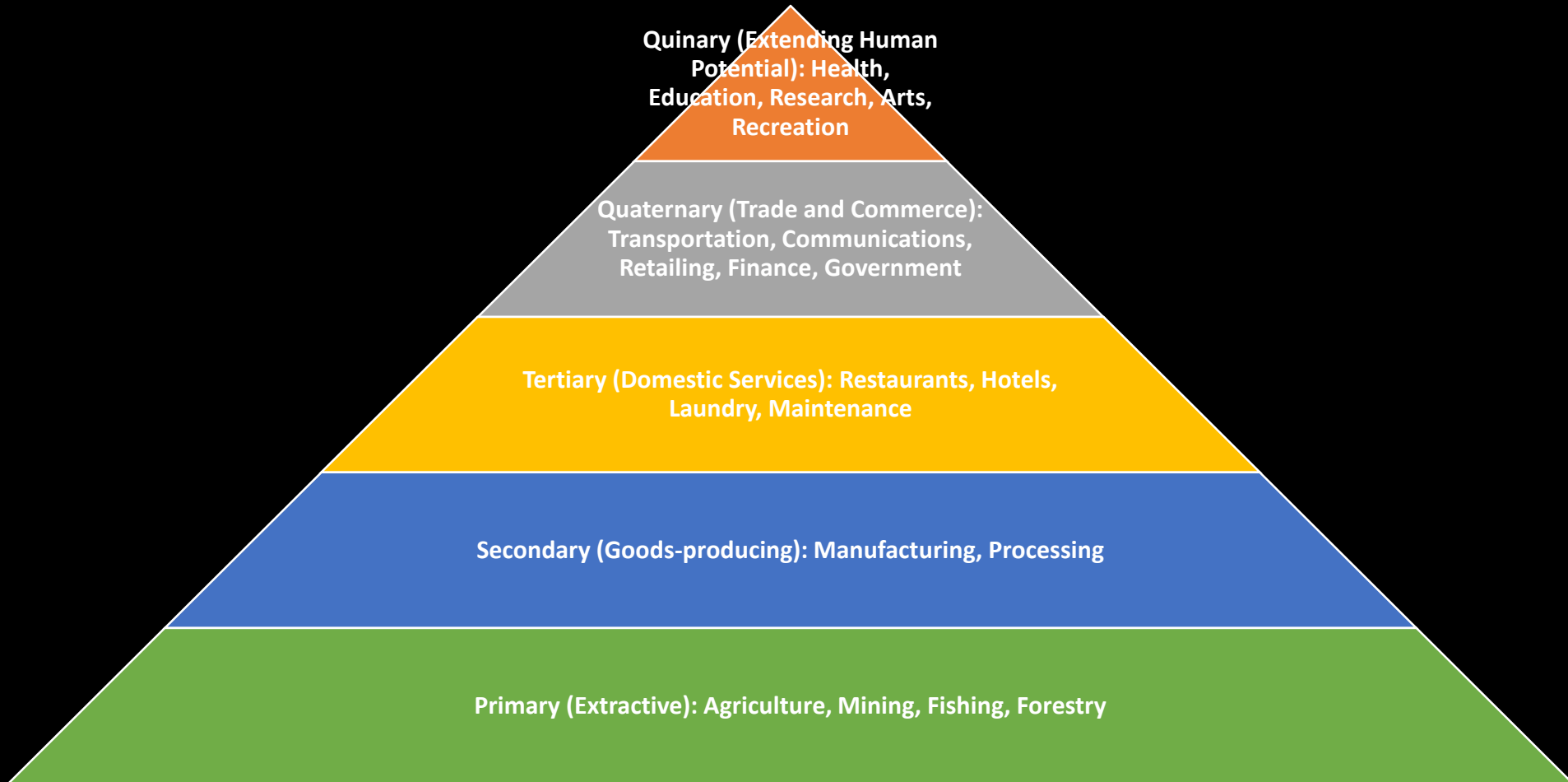
Development, diversification, employment shift

Colin Clark argues that as nations become industrialized, there is an inevitable shift of employment from one sector of the economy to another.

As productivity increases in one sector, the labor force moves into another.

This observation, known as the Clark-Fisher hypothesis, leads to a ***classification of economies by noting the activity of the majority of the workforce.***

Development, diversification, employment shift



Services weight in national economies

Quiz
subject

Percent Employment in Services for the Top Ten Postindustrial Nations, 1965–2005					
Country	1965	1975	1985	1995	2005
United States	59.5	66.4	70.0	74.1	78.6
United Kingdom	51.3	58.3	64.1	71.4	77.0
The Netherlands	52.5	60.9	68.3	73.4	76.5
Sweden	46.5	57.7	66.1	71.5	76.3
Canada	57.8	65.8	70.6	74.8	76.0
Australia	54.6	61.5	68.4	73.1	75.8
France	43.9	51.9	61.4	70.0	74.8
Japan	44.8	52.0	57.0	61.4	68.6
Germany	41.8	46.7	51.6	60.8	68.5
Italy	36.5	44.0	55.3	62.2	65.5

Employment by Sector, 1850-2010

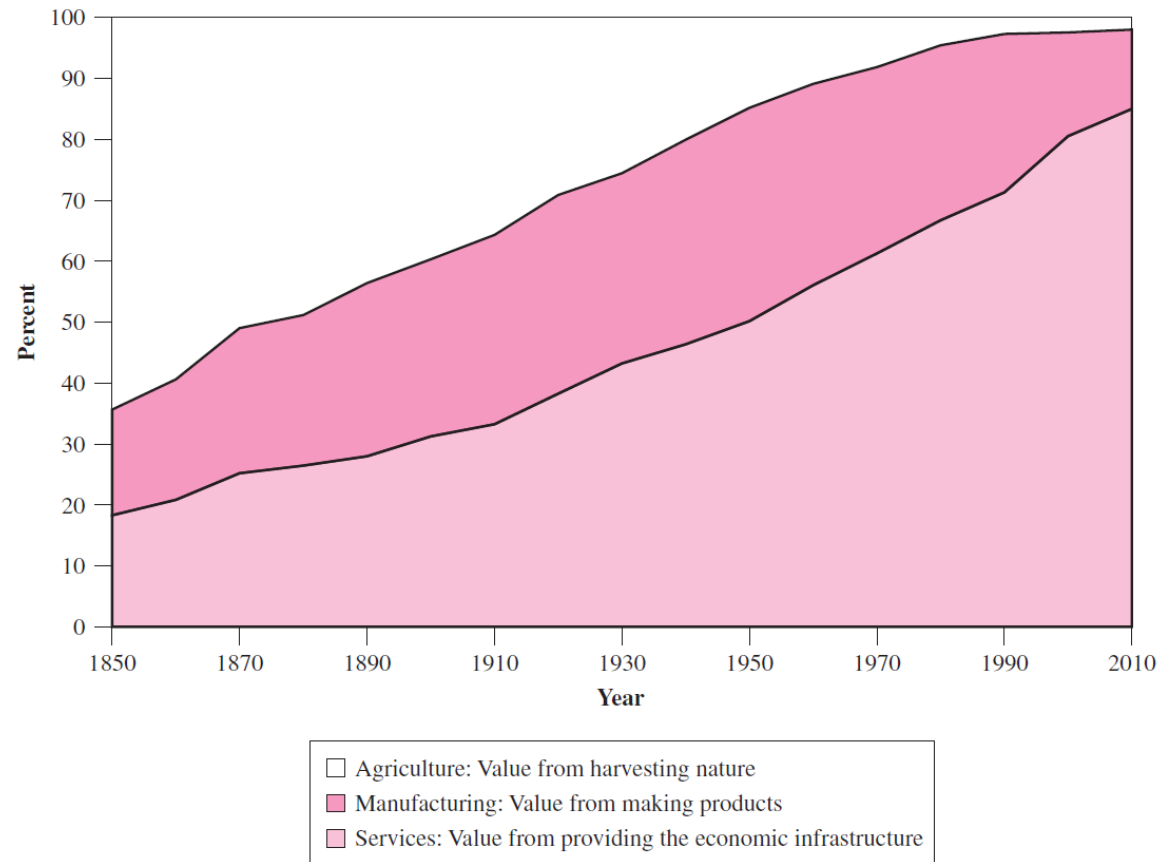
Quiz
subject

Fitzsimmons, James, A., Fitzsimmons, Mona, J. "Service Management – Operations, Strategy, Information Technology", 7th edition, McGraw-Hill Irwin, ISBN 978-0-07-340335-9, p7

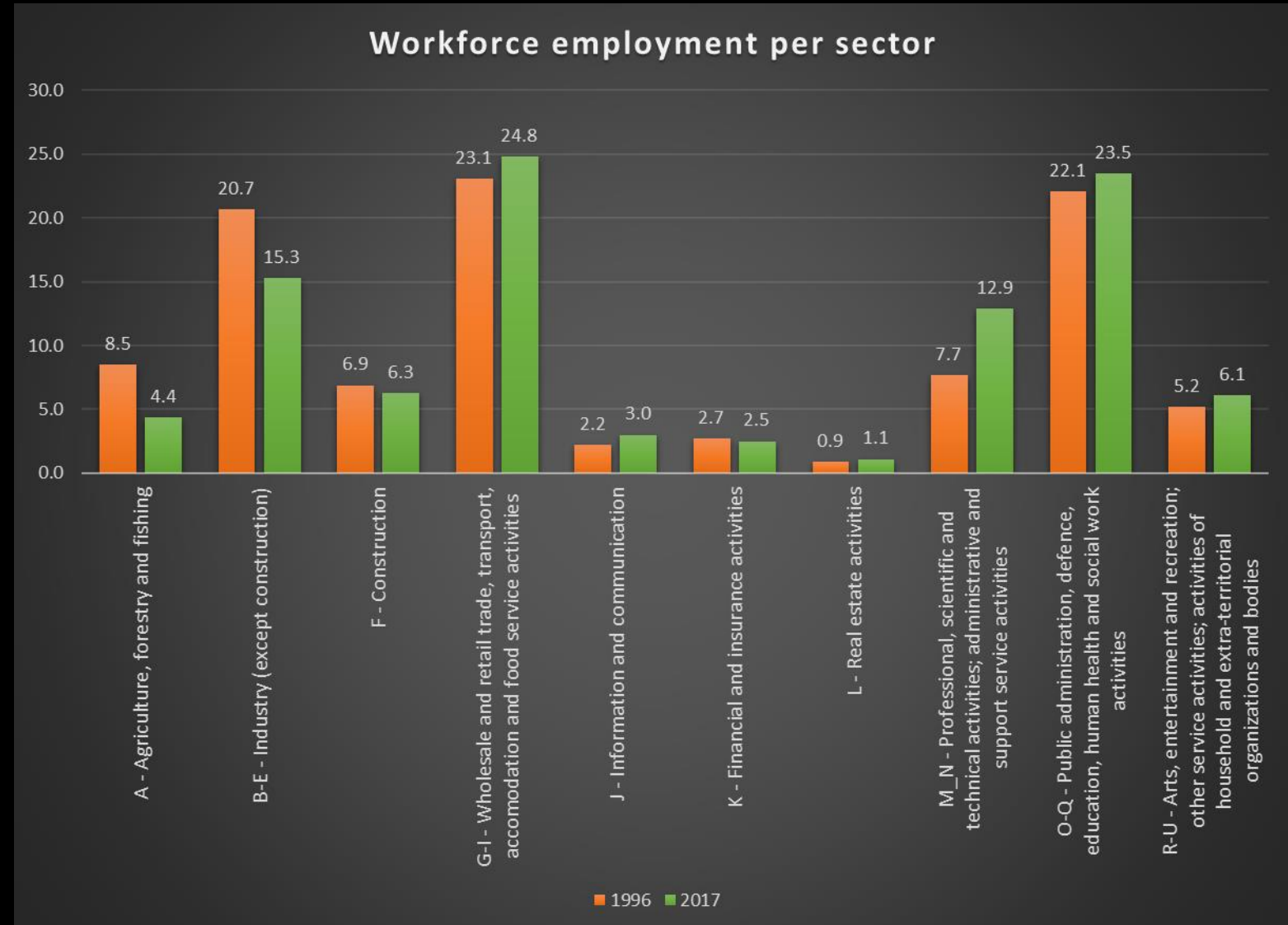
FIGURE 1.3

Trends in U.S. Employment by Sector, 1850–2010

Source: U.S. Department of
Commerce, Bureau of the Census,
*Historical Statistics of the United
States*, 1975, p. 137, and [http://
www.bls.gov/fls/flscomparelf.htm](http://www.bls.gov/fls/flscomparelf.htm)



Employment per sector in the EU



<https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20171024-1>

Classifying societies

Fitzsimmons, James, A., Fitzsimmons, Mona, J. "Service Management – Operations, Strategy, Information Technology", 7th edition, McGraw-Hill Irwin, ISBN 978-0-07-340335-9, p8

TABLE 1.2 Comparison of Societies

Features							
Society	Game	Predominant Activity	Use of Human Labor	Unit of Social Life	Standard of Living Measure	Structure	Technology
Pre-industrial	Against nature	Agriculture Mining	Raw muscle power	Extended household	Subsistence	Routine Traditional Authoritative	Simple hand tools
Industrial	Against fabricated nature	Goods production	Machine tending	Individual	Quantity of goods	Bureaucratic Hierarchical	Machines
Post-industrial	Among persons	Services	Artistic Creative Intellectual	Community	Quality of life in terms of health, education, recreation	Inter-dependent Global	Information

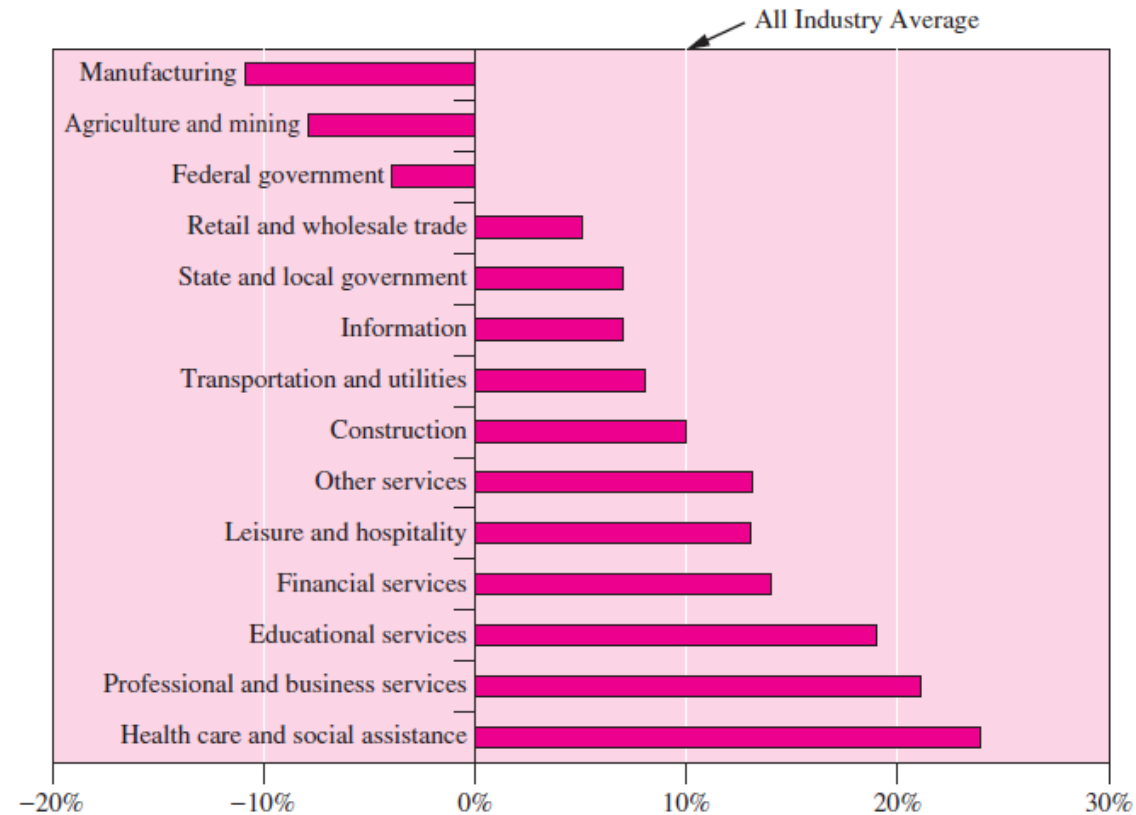
Workforce demand shift

Quiz
subject

FIGURE 1.5

**Projected Percent
Change in U.S.
Employment by
Industry, 2006–2016**

Source: <http://www.bls.gov/news.release/ecopro.t01.htm>



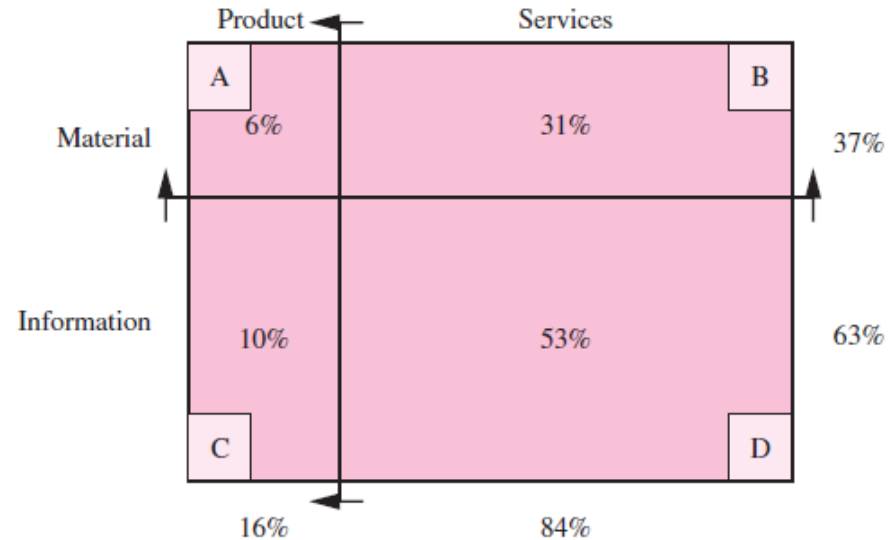
Fitzsimmons, James, A., Fitzsimmons, Mona, J. "Service Management – Operations, Strategy, Information Technology", 7th edition, McGraw-Hill Irwin, ISBN 978-0-07-340335-9, p10

TRENDS IN THE GOODS-SERVICES BALANCE

FIGURE 1.7

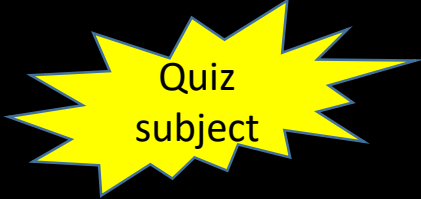
Distribution of GDP in the U.S. Economy

Source: Karmarkar, Uday and Uday M. Apte. "Operations Management in the Information Economy: Information Products, Processes, and Chains," *Journal of Operations Management* 25 no. 2 (March 2007), p. 440.



Sector	Description	Example
A	Physical Products	Automotive, Steel, Chemicals
B	Physical Services	Transportation, Retailing
C	Digital Products	Computers, DVDs, HDTV
D	Information Services	Finance, Telecommunications

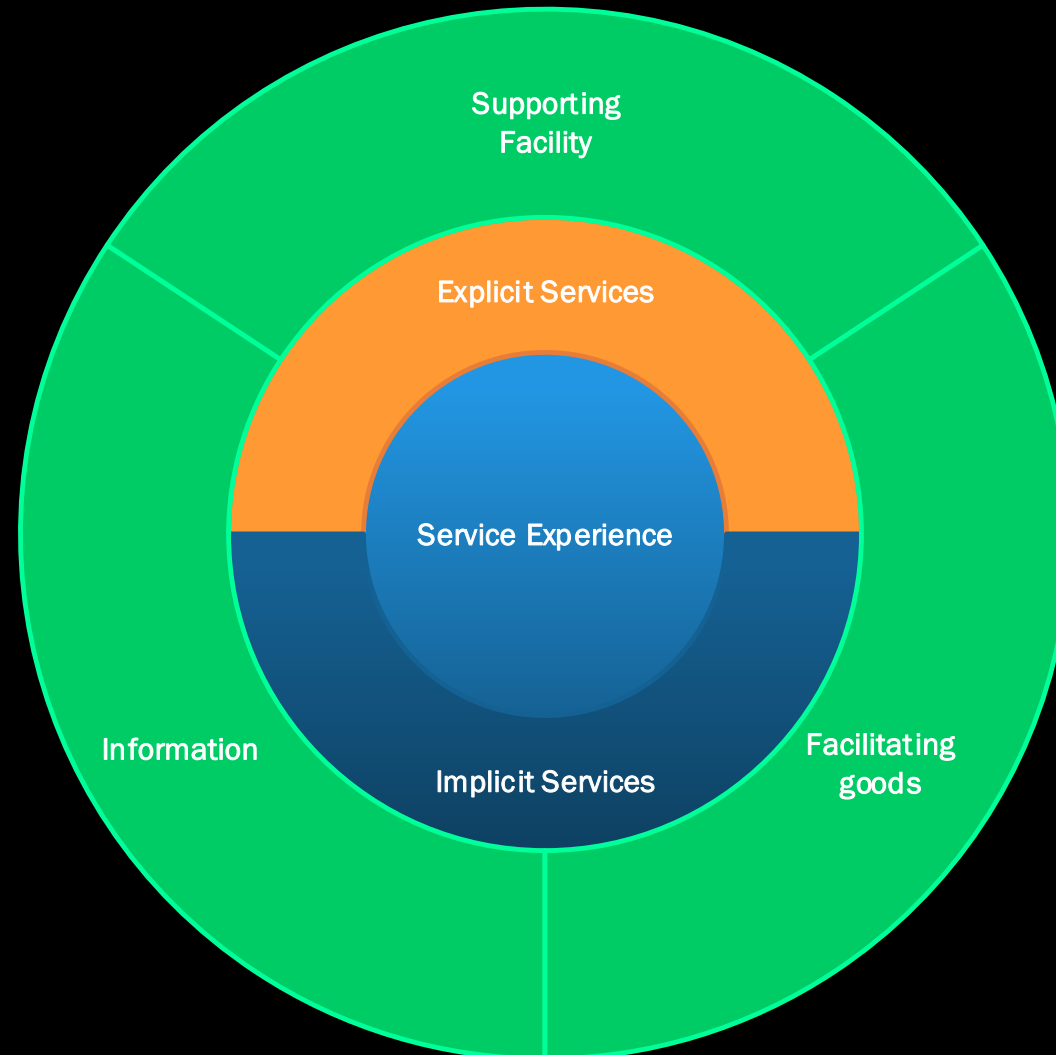
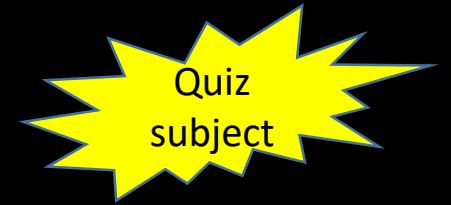
The service package



Quiz
subject

- A bundle of goods and services with information that is provided in some environment
 - **Supporting facility.** The physical resources that must be in place before a service can be offered. Examples are a golf course, a ski lift, a hospital, and an airplane.
 - **Facilitating goods.** The material purchased or consumed by the buyer, or the items provided by the customer. Examples are golf clubs, skis, food items, replacement auto parts, legal documents, and medical supplies.
 - **Information.** Data that is available from the customer or provider to enable efficient and customized service. Examples include electronic patient medical records, airline Web site showing seats available on a flight, customer preferences from prior visits, GPS location of customer to dispatch a taxi, and Google map link on a hotel Web site.
 - **Explicit services.** The benefits that are readily observable by the senses and that consist of the essential or intrinsic features of the service. Examples are the absence of pain after a tooth is repaired, a smooth-running automobile after a tuneup, and the response time of a fire department.
 - **Implicit services.** Psychological benefits that the customer may sense only vaguely, or the extrinsic features of the service. Examples are the status of a degree from an Ivy League school, the privacy of a loan office, and worry-free auto repair.
- Customer's perception depends on these features

The service package



Criteria for Evaluating the Service Package

- Infrastructure
- Facilitating goods
- Information
- Explicit Services
- Implicit Services

The Service Process Matrix

FIGURE 2.2

The Service Process Matrix

Source: From "How Can Service Businesses Survive and Prosper?" by Roger W. Schmenner, *Sloan Management Review*, vol. 27, no. 3, Spring 1986, p. 25, by permission of publisher. Copyright 1986 by the Sloan Management Review Association. All rights reserved.

		Degree of interaction and customization	
		Low	High
Degree of labor intensity	Low	<i>Service factory:</i> <ul style="list-style-type: none"> • Airlines • Trucking • Hotels • Resorts and recreation 	<i>Service shop:</i> <ul style="list-style-type: none"> • Hospitals • Auto repair • Other repair services
	High	<i>Mass service:</i> <ul style="list-style-type: none"> • Retailing • Wholesaling • Schools • Retail aspects of commercial banking 	<i>Professional service:</i> <ul style="list-style-type: none"> • Physicians • Lawyers • Accountants • Architects

labor intensity = the ratio of labor cost to capital cost

Challenges for Service Managers

		Degree of interaction and customization		
		Low	High	
Labor cost / Capital cost	Low	Service factory	Service shop	<i>Challenges for managers (low labor intensity):</i> <ul style="list-style-type: none"> .Capital decisions .Technological advances .Managing demand to avoid peaks and to promote off-peaks .Scheduling service delivery
	High	Mass service	Professional Service	<i>Challenges for managers (high labor intensity):</i> <ul style="list-style-type: none"> .Hiring .Training .Methods development and control .Employees' welfare .Scheduling workforces .Control of far-flung geographical locations .Start-up of new units .Managing growth
		<i>Challenges for managers (low interaction/low customization):</i> <ul style="list-style-type: none"> .Marketing .Making service "warm" .Attention to physical surroundings .Managing fairly rigid hierarchy with need for standard operating procedure 	<i>Challenges for managers (high interaction/high customization):</i> <ul style="list-style-type: none"> .Fighting cost increases .Maintaining quality .Reacting to consumer intervention in process .Managing advancement of people delivering service .Managing flat hierarchy with loose subordinate-superior relationships .Gaining employee loyalty 	

TOPICS of discussion

1. Illustrate how the type of work he or she does influences a person's lifestyle. For example, contrast a farmer, a factory worker, and a schoolteacher.
2. Is it possible for an economy to be based entirely on services?
3. What is the value of self-service in an economy?
4. Go on the Internet and find the percent employment in services over the past 40 years for a country not listed in Table 1.1
5. Go to Wikipedia.com and search under the topic of "service economy." What do you make of the data plotted on the world map?
6. Determine if the service sector is currently expanding or contracting based upon the Non-Manufacturing Index (NMI) found at the ISM Report on Business on the Institute of Supply Management Web site "<http://www.ism.ws/pubs/ismmag/>"

Service Nature vs Service Recipient

		Direct recipient of the service	
		People	Property
Nature of the service act	Tangible	<i>People's bodies:</i> Health care Passenger transportation Beauty salons Exercise clinics Restaurants	<i>Physical possessions:</i> Freight transportation Repair and maintenance Laundry and dry cleaning Veterinary care
	Intangible	<i>People's minds:</i> Education Broadcasting Information services Theaters Museums	<i>Intangible assets:</i> Banking Legal services Accounting Securities Insurance

Nature of the Service Act
Source: American
Marketing Association: Christopher
H. Lovelock, "Classifying Services
to Gain Strategic Marketing
Insights," Journal of Marketing, vol.
47, Summer 1983, p. 12.

Nature of Service Delivery – Type of Relationship with Customers

		Type of relationship between service firm and its customers	
		"Membership" relationship	No formal relationship
Nature of the service delivery	Continuous delivery	Insurance Telephone subscription Electric utility Banking	Radio station Police protection Lighthouse Public highway
	Discrete transactions	Long-distance phone calls Theater series tickets Transit pass Wholesale buying club Airline frequent flyer	Toll highway Car rental Movie theater Public transportation Restaurant

Relationships with Customers
 Source: American Marketing Association: Christopher H. Lovelock, "Classifying Services to Gain Strategic Marketing Insights," Journal of Marketing, vol. 47, Summer 1983, p. 13.

Customer Contact Employees' Judgement - Customization

		Degree of customization	
		High	Low
Extent to which customer contact employees exercise judgment in meeting customer needs	High	Surgery Taxi service Gourmet restaurant	Education (large classes) Preventive health programs Family restaurant
	Low	Telephone service Hotel services Retail banking Cafeteria	Public transportation Movie theater Spectator sports Institutional food service

Customization and Judgment in Service Delivery
Source: American Marketing Association: Christopher H. Lovelock, "Classifying Services to Gain Strategic Marketing Insights," Journal of Marketing, vol. 47, Summer 1983, p. 15.

Demand vs Capacity – Fluctuation Size

		Extent of demand fluctuations over time	
		Wide	Narrow
Extent to which demand exceeds capacity	Peak demand met without major delay	Electricity Telephone Hospital maternity unit Police emergencies	Insurance Legal services Banking Laundry and dry cleaning
	Peak demand regularly exceeds capacity	Tax preparation Passenger transportation Hotels and motels	Fast-food restaurant Movie theater Gas station

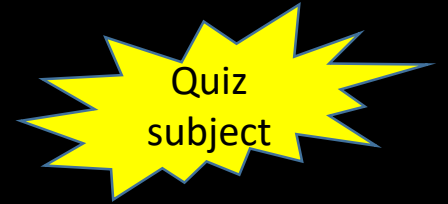
Nature of Demand for the Service Relative to Capacity
Source: American Marketing Association: Christopher H. Lovelock, "Classifying Services to Gain Strategic Marketing Insights," Journal of Marketing, vol. 47, Summer 1983, p. 17.

Service Delivery Nature vs Availability of Service Outlets

		Availability of service outlets	
		Single site	Multiple sites
Nature of service delivery	Customer travels to service firm	Theater Barbershop	Bus service Fast-food chain
	Service firm delivers	Pest control service Taxi	Mail delivery AAA emergency repairs
	Transaction at arm's length	Credit card company Local TV station	National TV network Telephone company

Method of Service Delivery
Source: American Marketing Association: Christopher H. Lovelock, "Classifying Services to Gain Strategic Marketing Insights," Journal of Marketing, vol. 47, Summer 1983, p. 18.

Service Dominant Logic: Foundational Premises



FP1: Service is seen as an

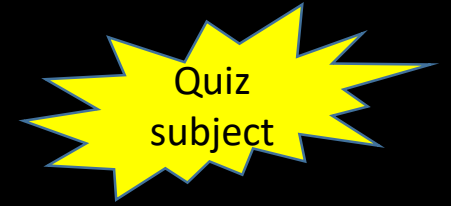
- activity or
 - process (thus singular),
 - not an intangible unit of output (plural in the goods analogy),
- derived from applying (operant rather than operand) competencies (
- knowledge and
 - skills)
- for the benefit of another party.

Service Dominant Logic: Foundational Premises

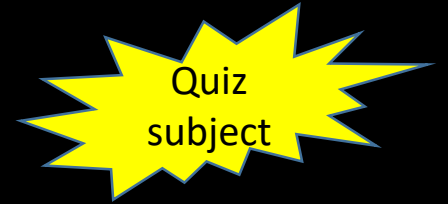
FP2: The process of value creation in a postindustrial society is

- complex with
- many intermediary systems (e.g., Internet)

facilitating the process of exchange.



Service Dominant Logic: Foundational Premises



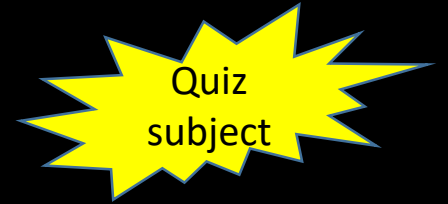
FP3: Although goods are a store of

- energy,
- material, and
- labor costs,

they realize a value only upon use

(e.g., a car providing the service of transportation).

Service Dominant Logic: Foundational Premises

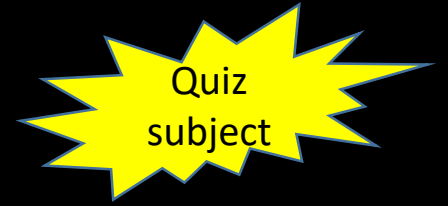


FP4: Competitive advantage is captured in a firm's

- intellectual capital,
- skills, and
- knowledge

that can be applied to creating value for the customer.

Service Dominant Logic: Foundational Premises



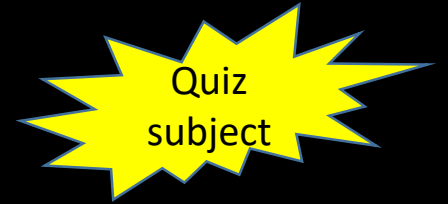
FP5: If service is the application of competencies for the benefit of others, then

all economic activity is essentially service

no matter whether the economy is considered

- agrarian,
- industrial, or
- postindustrial.

Service Dominant Logic: Foundational Premises



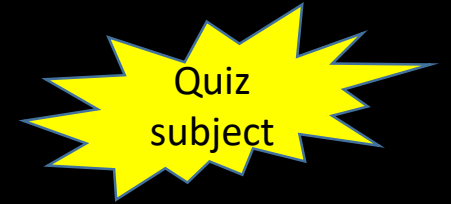
FP6: If value is co-created with the customer, then the service activity must involve the customer in some capacity (e.g.,

- mind,
- body,
- belongings,
- information)

in an interactive relationship.

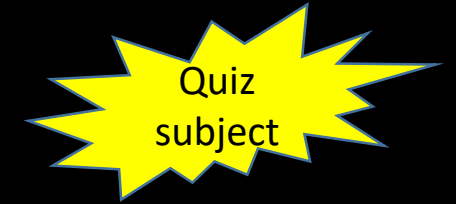
Service Dominant Logic: Foundational Premises

FP7: Just as a product has no intrinsic value until used, a service is only a capacity to create value upon customer activation (e.g., a seat on an airplane has no value if empty upon takeoff).

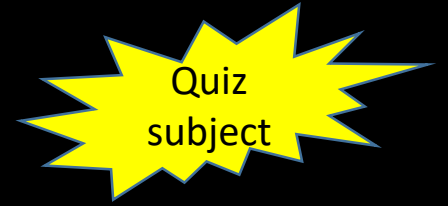


Service Dominant Logic: Foundational Premises

FP8: Because a service is co-created with the customer, the service exchange naturally becomes **customer-focused**.



Service Dominant Logic: Foundational Premises

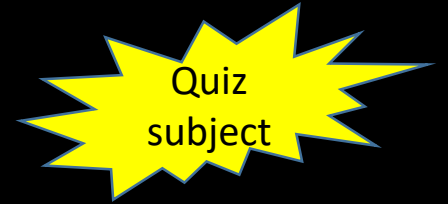


FP9: Value is created when the customer

- integrates and
- applies

the resources of the service provider along with
other resource-integrators
to achieve the exchange
(e.g., purchase on eBay using PayPal).

Service Dominant Logic: Foundational Premises



FP10: Each customer determines the

- value or
- quality of the service

based on personal needs at the specific time

(e.g., fast lunch or dinner date)

and in the particular context

(e.g., alone or group)

as an experience.