

Understanding Services





What are services

- Services are deeds, processes and performance
- Intangible, but may have a tangible component
- Generally produced and consumed at the same time
- Need to distinguish between **SERVICE** and **CUSTOMER SERVICE**



Some Industries in the Service Sector

- Banking, stockbroking
- Lodging
- Restaurants, bars, catering
- Insurance
- News and entertainment
- Transportation (freight and passenger)
- Health care
- Education
- Wholesaling and retailing
- Laundries, drycleaning
- Repair and maintenance
- Professional (e.g., law, architecture, consulting)
- Internet and Web services
- BPO



The nature of services

- ◆ The distinction between a product and a service is difficult to make .
- ◆ The purchase of a product is accompanied by some facilitating service and the purchase of a service often includes facilitating goods
- ◆ It is an activity or series of activities of intangible nature that normally, but not necessarily, take place in interactions between customer and service employees and/or systems of the service provider, which are provided as solutions to customer needs

Continuum of goods and services

More like a good producers



More like a services producers

Physical: durable product

Intangible: perishable product

Output can be inventoried

Output cannot be inventoried

Low customer contact

High customer contact

Long response time

Short response time

Regional, national or international markets

Local markets

Large facilities


Small facilities

Capital intensive

Labor intensive

Quality easily measured

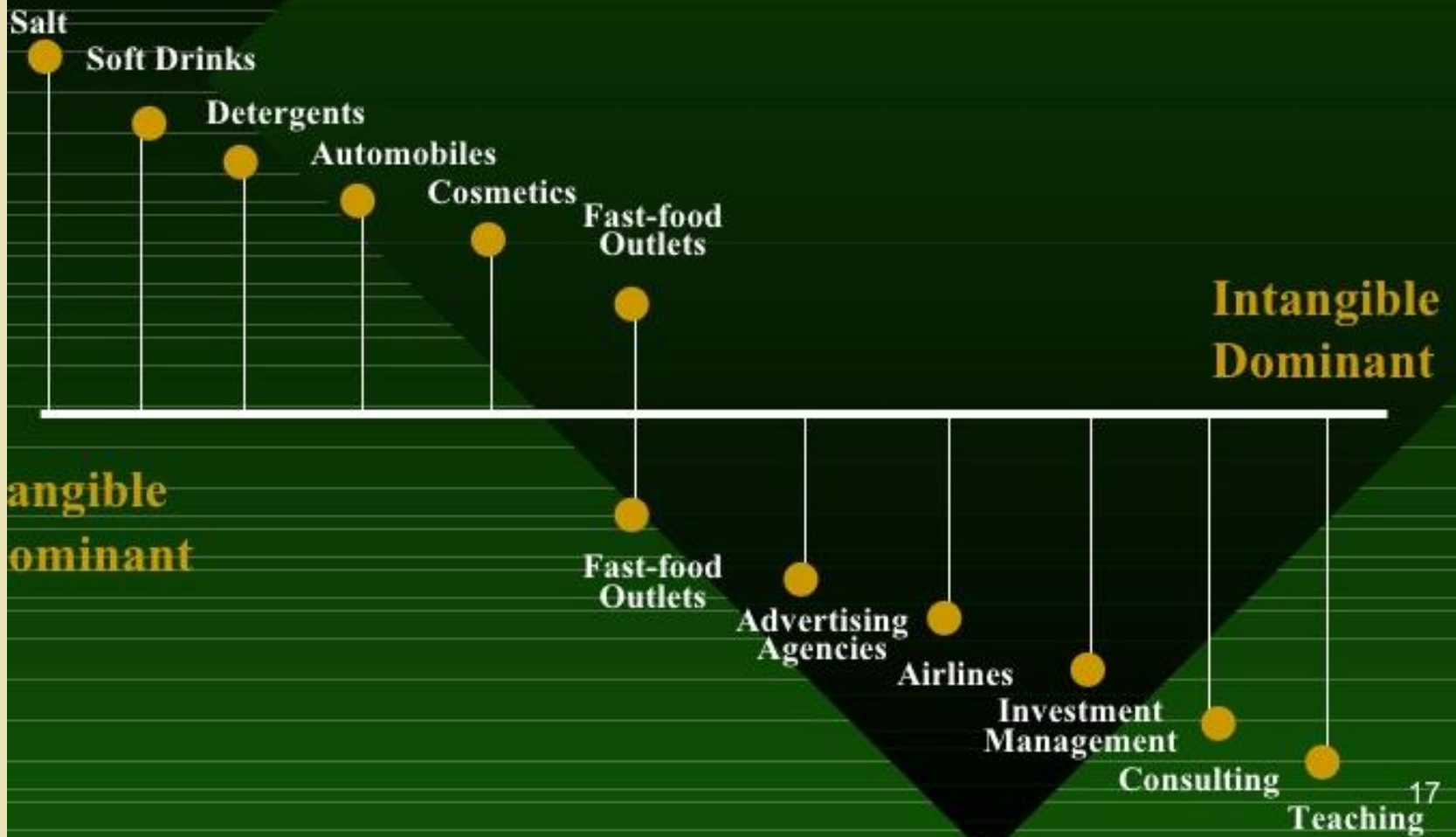
Quality no easily measured



Basic Differences between Goods and Services

- Customers do not obtain ownership of services
- Service products are intangible performances--not objects
- Customers often actively involved in production process
- Other people may form part of product experience
- More variability in operational inputs and outputs--harder to improve productivity, control quality
- Often difficult for customers to evaluate
- Absence of inventories after production
- Time factor is more important--speed may be key
- Delivery systems include electronic and physical channels

Tangibility Spectrum









The service package

- ◆ It is a bundle of goods and services that is provided to customers. It consists of four features:
 - **Supporting facilities:** the physical resources that must be in place before a service can be offered.
 - **Facilitating goods:** the material purchased or consumed by the buyer, or the items provided by the customers.
 - **Explicit services:** the benefits that are readily observable by the senses and that consist of the essential or intrinsic features of the service.
 - **Implicit services:** psychological benefits that the customer may sense, or the extrinsic feature of the service.

The service process matrix: two dimensions:

		Degree of interaction and customization	
		Low	High
Degree of labor intensity	Low	Service factory: 	Service shop: 
	High	Mass services: 	Professional services: 

Relationship with customers

		Degree of relationship between the organization and customers	
		“Membership” relationships	No formal relationships
Nature of the service delivery	Continuous delivery service		
	Discrete transactions		

The nature of the service act

		Direct recipient of the service	
		People	Things
Nature of the service act	Tangible actions		
	Intangible actions		

Customization and judgment in the service act

		Extent to which service characteristics are customized	
		High	Low
Extent to which personnel exercise judgment in meeting individual needs	High		
	Low		



Challenges for Services

- **Defining and improving quality**
- **Communicating and testing new services**
- **Communicating and maintaining a consistent image**
- **Motivating and sustaining employee commitment**
- **Coordinating marketing, operations and human resource efforts**
- **Setting prices**
- **Standardization versus personalization**

What is customer service? Some definitions from the literature

- ◆ *"Customer service is the ability to provide a service or product in the way that it has been promised"*
- ◆ *"Customer service is about treating others as you would like to be treated yourself"*
- ◆ *"Customer service is an organization's ability to supply their customers' wants and needs"*
- ◆ *"Customer Service is a phrase that is used to describe the process of taking care of our customers in a positive manner"*
- ◆ *"Customer Service is any contact between a customer and a company, that causes a negative or positive perception by a customer"*



What is customer service? Some definitions from the literature

- ◆ *"Customer service is a process for providing competitive advantage and adding benefits in order to maximize the total value to the customer"*
- ◆ *"Customer Service is the commitment to providing value added services to external and internal customers, including attitude knowledge, technical support and quality of service in a timely manner"*
- ◆ *"Customer service is a proactive attitude that can be summed up as: I care and I can do."*



What is customer service?

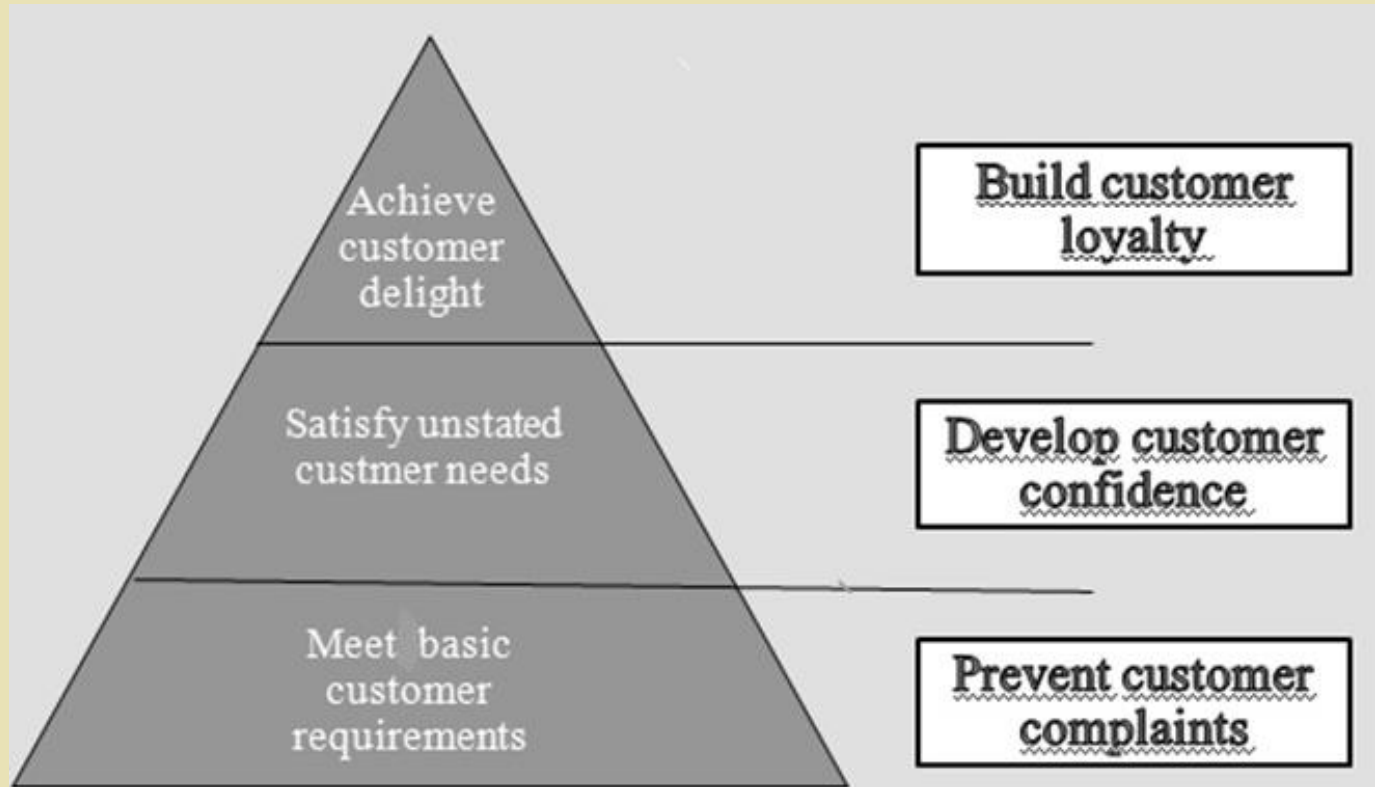
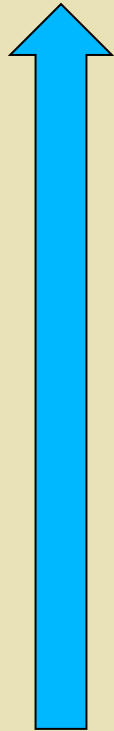
- It is the ability of an organization to constantly and consistently give the customer what they want and need
- Excellent customer service: the ability of an organization to constantly and consistently exceed the customer's expectations
- A customer defines good customer service as how he or she perceives that an organization has delighted him or her, by exceeding to meet his or her needs.



Activities included in customer service

- ◆ Training - services needed to assist the customer in learning how to use a product.
- ◆ Repair – services needed to handle damaged or malfunctioning products.
- ◆ Financial Assistance – services needed to help customers with the financial commitment in purchases or using the product.
- ◆ Complaint Resolution - services needed to address other problems that have arisen with customers' use of a product

Levels in customer service





Areas of effort

- ◆ Customer friendly processes.
- ◆ Employee commitment to customer service,
- ◆ Communication with customers
- ◆ To provide good customer service, it is necessary to ensure that the organization consistently:
 - Answer the phone
 - Promises have to be kept always
 - Listen to the customers
 - Deal with complaints
 - Be helpful - even if there's no immediate profit in it
 - Train the staff to be ALWAYS helpful, courteous, and knowledgeable
 - Take the extra step
 - Throw in something extra



The cost of loosing a customer

- ◆ Current income
- ◆ Reputation
- ◆ Future business
- ◆ Jobs
- ◆ Future income