The Nature of Services:
7 generalizations

1. Everyone is an expert on services
2. Services are idiosyncratic
3. Quality of work is not quality of service
4. Most services contain a mix of tangible and intangible attributes
5. High-contact services are experienced, whereas goods are consumed
6. Effective management of services requires an understanding of marketing and personnel, as well as operations
7. Services often take the form of cycles of encounters involving face-to-face, phone, Internet, electromechanical, and/or mail interactions
**Service Businesses**

A service business is the management of organizations whose primary business requires interaction with the customer to produce the service.

- **Facilities-based services**: Where the customer must go to the service facility.
- **Field-based services**: Where the production and consumption of the service takes place in the customer's environment.

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**The Customer Centered View**

A philosophical view that suggests the organization exists to serve the customer, and the systems and the employees exist to facilitate the process of service.

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**Service Strategy: Focus and Advantage**

**Performance Priorities**

- Treatment of the customer
- Speed and convenience of service delivery
- Price
- Variety
- Quality of the tangible goods
- Unique skills that constitute the service offering

Ref. p. 269
Experience Service featuring Hotel Monaco: SDHM4.avi
Service/inventory—1st National Bank: SE8.avi
Service-System Design Matrix

Exhibit 7.6

Degree of customer/server contact

<table>
<thead>
<tr>
<th>Degree of customer/server contact</th>
<th>Buffered (none)</th>
<th>Permeable (some)</th>
<th>Reactive (much)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Opportunity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Efficiency</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ref. Service-System Design Matrix; DVD

Example of Service Blueprinting

- Standard execution time: 2 minutes
- Total acceptable execution time: 5 minutes

- Brush shoes: 30 secs
- Apply polish: 30 secs
- Buff: 45 secs
- Collect payment: 15 secs

- Clean shoes: 45 secs
- Fail point: 60 secs
- Wrong color wax: 30 secs

Materials (e.g., polish, cloth)

Ref. p. 274-275

Service Fail-safing

*Poka-Yokes (A Proactive Approach)*

- Keeping a mistake from becoming a service defect
- How can we fail-safe the three Ts?

Have we compromised one of the 3 Ts?

1. Task
2. Treatment
3. Tangible
Three Contrasting Service Designs

- The production line approach (ex. McDonald's)
- The self-service approach (ex. automatic teller machines)
- The personal attention approach (ex. Ritz-Carlton Hotel Company)

Characteristics of a Well-Designed Service System

1. Each element of the service system is consistent with the *operating focus* of the firm
2. It is *user-friendly*
3. It is *robust*
4. It is structured so that *consistent performance* by its people and systems is easily maintained

Characteristics of a Well-Designed Service System (Continued)

5. It provides effective *links* between the back office and the front office so that nothing falls between the cracks
6. It manages the *evidence* of service quality in such a way that customers see the value of the service provided
7. It is *cost-effective*

 Applying Behavioral Science to Service Encounters

1. The front-end and back-end of the encounter are not created equal
2. Segment the pleasure, combine the pain
3. Let the customer control the process
4. Pay attention to norms and rituals
5. People are easier to blame than systems
6. Let the punishment fit the crime in service recovery
Service Guarantees as Design Drivers

- Recent research suggests:
  - Any guarantee is better than no guarantee
  - Involve the customer as well as employees in the design
  - Avoid complexity or legalistic language
  - Do not quibble or wriggle when a customer invokes a guarantee
  - Make it clear that you are happy for customers to invoke the guarantee

Question Bowl

Which of the following are generalizations about the nature of services?

- Services contain tangible attributes
- Services are experienced
- Services often take the form of cycles of encounters involving face-to-face interactions
- All of the above
- None of the above

Answer: d. All of the above

Question Bowl

Which of the following is an example of a Service Business?

- Law firm
- Hospital
- Bank
- Retail store
- All of the above

Answer: e. All of the above

Question Bowl

Which of the following is an example of Internal Services?

- Finance department
- Marketing department
- Operations department
- All of the above
- None of the above

Answer: d. All of the above
According to the Chase and Dasu (2001) study which of the following are behavioral concepts that should be applied to enhance customer perceptions of a service encounter?

a. Flow of the service experience  
b. Flow of time  
c. Judging encounter performance  
d. All of the above  
e. None of the above  

Answer: d. All of the above

Service strategy development begins by selecting which of the following as an operating focus or performance priority?

a. Price  
b. Quality  
c. Variety  
d. Treatment  
e. All of the above  

Answer: e. All of the above

Which of the following “best practices emphasized by service executives” had the highest mean emphasize rating?

a. Leadership  
b. Accessibility  
c. Quality values  
d. Customer orientation  
e. Listening to the customer  

Answer: b. Accessibility (Had the highest mean rating at 4.02 on a 5 point scale.)

Based on the Service-System Design Matrix, which of the following has a lower level of “production efficiency”?

a. Face-to-face loose specs  
b. Phone contact  
c. Internet and on-site technology  
d. Face-to-face tight specs  
e. Mail contact  

Answer: a. Face-to-face loose specs