SERVICE MANAGEMENT
WEEK 1 INTRODUCTION

Australia Service-Based Economy
- Around 75% of real gross value added (GVA)
- Around 80% of Australians are employed in the services sector (e.g., education and training, professional, scientific and technical services)
- Growth in service is higher than all-industry average growth compared to goods

Services are diverse

<table>
<thead>
<tr>
<th>Customer Services ('experience')</th>
<th>Business-to-Business</th>
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<tbody>
<tr>
<td>● Airlines</td>
<td>● Accountancy</td>
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<td>● Banking and finance</td>
<td>● Architecture</td>
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<td>● Hairdressing</td>
<td>● Engineering</td>
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<td>● Hotels</td>
<td>● Legal</td>
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<td>● Restaurants</td>
<td>● Management consulting</td>
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<td>● Retailing</td>
<td>● Government</td>
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<td>● Not-for-profit</td>
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Example of how diverse services can be:
- Dentistry, Kashmir-style ‘We put new teeth in, just like new’
- Human Punch Bag (in China): provide service to people who are suffering from work-related stress. Instead of punching a dog, just punch me
- Online dating (service for service): help you developing your profile in online dating platform
- Sharing or Gig Economy:
  ○ Share economy is important because making money by exchanging value from their spare capacity/resources that we have not using on online platforms
  ○ E.g. Uber, Airbnb, Borrow my doggy, Eatwith
  ○ My home, your workspace: renting a nice venue for meeting, conference
  ○ Nimber: pick up someone to get to the destination on the same route

Services Defined
- Goods = object, device, thing
- Services = act, deed, performance or effort
  ○ Key difference factor between services and goods: Intangible - they are performances (which are experienced) rather than objects (which are held)

Service (and relationship) Marketing is the study and practice of delivering (building relationship with customers over time through) valued deeds, processes and performances

Characteristics of Services: IHIP PARADIGM
Intangibility
- Service cannot be seen, touched, or tasted
- Key challenge of service provider to make a relationship: TRUST
- Customers are asked to buy 'promises'
- The good-service continuum
○ All products can be placed on a scale somewhere between being a pure service (no tangible output) and a pure good (no intangible service added to the good). In practice, most products fall between the two extremes by being a combination of good and service.
○ Degree of tangibility:

Heterogeneity

- Difference/variability in service (high contact services)
- It is the result of different people providing the same service in a slightly different way because no two people are identical
- Key challenge of dealing heterogeneity: **CONSISTENCY** to deliver high performance and hard to get everyone to perform high standard
- E.g. same lecturer in different stream might have different performance. Not to be consistent in a performance each time. They might be tired, sick.

Inseparability

*Service Worker*

- Unlike physical goods, it is difficult to separate the service from the person who performs the act
- For example, the doctor, lawyer, dentist, hair stylist or lecturer
- E.g. Staff might be rude to me that affects my experience although I really like a product.
- Interaction with the service worker affects the customer’s experience of the service and satisfaction
- Customer might loyal to individual, not a business. E.g. your relationship with staff is rather than music store.
- Key challenge: to **RETAIN HIGH PERFORMANCE WORKER**
- Classifying Services (by level of contact:)

Customer

- Customers are often part of the service delivery
- The behaviour of other customers can directly affect service perceptions and experience
- Key challenge to manager: to **CONTROL** behaviour of customers

Perishability

- Services cannot be stored like physical goods in inventory for later sales or use
- Services cannot be returned after purchase
- Services cannot be owned, they are rented
- But we can recall our memories of the service e.g. how wonderful we felt during a resort stay
- Thus, services can provide benefits past the time when they are experienced
- Key challenge: make it **MEMORABLE** (e.g. giving something tangible)
Summary: Managerial Challenges

- Reducing perceived risk
- Motivating/training staff to reach uniform levels of service provision
- Socialising customers to follow their scripts
- Estimating demand and matching it to available capacity
- Collaborating with human resource and operations
  - Human resources - we need to track, motivate, retain, reward and reputation them

Service - defined by Service Dominant (SD) Logic

- It is the application of specialized competences (skills and knowledge), through deeds, processes, and performances for the benefit of another entity or the entity itself (self-service)

Service

- Services implies units of output, rather than a process as implied by the singular word service
- Both goods and services render service
- Service is provided directly, or indirectly through the provision of tangible goods
- The importance of tangible goods lies not so much in owning them as in obtaining the service they render. As the individual uses and consumes the good over time, value is derived from the consumption experience
- Traditional view of services is the value added e.g. guarantee, free training
- Services could be transport from point A to B (by a product)
- You do not actually gain value by owning something. It is only at the consumption stage.
- SD Logic said that
  1. Value depends on the individual
  2. Value is not derived until you consume the offering
  3. It depends on context

Value

- Value creation is the unit of analysis

Firms provide their customers with value propositions that constitute desirable experiences and/or solutions to customer problems → firms do not provide value, but we provide value proposition

However, it is only through the interactive co-creation process that the customer is enabled to evaluate this proposition and assess its actual value (as value-in-context).

Traditional Marketing Logic

- Customers’ ability to co-create value is governed by the amount of information, knowledge, skills and other resources that they can access and use.
Co-Creation of Value

- The customer is always a co-creator of value.
- There is no value until an offering is assessed in use (using the offering) by customers in their social contexts.
- Value is idiosyncratic, uniquely determined by the customer → we operate in different contexts, have different resources.
- The focus on marketing should be on value co-creation (understanding resources the customer comes into exchange) rather than value distribution (GO-L). Marketing needs to facilitate and support the customers’ value-creating processes rather than simply distributing ready-made value to customers.
- The best way to co-create value is to focus on the desired experiences of the customer rather than customer’s needs.
  - E.g. customer wants to relax, don’t want to stress. Customer wants you to solve their problem.
- Enjoyable and engaging experiences provide intrinsic value. They offer a state which people try to maintain and seek to repeat.
  - Customer wants to maintain and seek to repeat desirable experiences.

WEEK 2 SERVICE ENCOUNTER

3 Stages Service Model

1. Pre-purchase stage
   - Awareness of Need
     - Information Search
       - Define Need: e.g., to make a fantastic experience for my friend on her birthday
       - Explore Solution: e.g., do information search
       - Identify Alternatives Service Suppliers: e.g., Google for the 10 best spa places in Melbourne
     - Evaluation of Alternative Service Supplier
       - Review Documentation: e.g., look at website
       - Consult with Other People: e.g., friends, family, other customers
       - Visit alternative service providers, and speak to service personnel

2. Service encounter stage
   - It is a consumption and experience stage.
   - Value is not determined until a customer consumes the service in context.

3. Post-purchase stage

Influence Factors

- Perceived risk
  - Value for money
  - High involvement (interested): I am sure that she has a good experience on her birthday
- Role and script theory
- Behaviour of other customers
- Perceived control
- Emotions and moods
- Perceived risk
PHASE 1: Pre-Purchase Stage

Differences in the ease of evaluation between goods and services (perception of risk)
Zeithaml (1981) illustrates differences based on a product’s:

1. Search qualities
   - Include those attributes which a consumer can determine prior to purchasing a product (product = both goods & services) e.g. colour, style, price, fit, feel, comfort, hardness and smell
   - Correlated to the degree of tangibility in that offering
   - Example: real estate, furniture, electrical goods, clothing, cars

2. Experience qualities
   - Can only be determined after the purchase or during consumption of the product
   - E.g. taste, durability and satisfaction
   - Example: weight control, plastic surgery, beauty service, haircuts, restaurant, holiday, spa

3. Credence qualities (professional services)
   - May be impossible to evaluate even after purchase and consumption as consumer lacks the technical or specialist knowledge to determine whether the service performed was in fact necessary and well done
   - Even after consumption, I don’t know it was the best because I lack the skill, expertise
   - Example: health related consultation or surgery, consulting services, tooth repair, mechanical repairs

Continuum of evaluation for different types of products (3 characteristics)

Pre-purchase stage

- Services dominated by experience and/or credence priorities
- Inexperienced customers lack the knowledge and confidence to evaluate between suppliers
  - First time customer to the platform/services, they are going to experience more risk
- High customer involvement in service
  - All these factors increase risk perceptions pre-purchase

Perceived Risk

- Function of uncertainty (how much uncertainty is in the outcome) and consequence (perception of risk pre-purchase)
- Increases as the likelihood of negative outcomes and the degree of importance of these outcomes increase