

**Managing Services**  
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**Lecture - 05**  
**The Service Act**

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We will continue our discussion, how service thinking and a new paradigm of product service systems are changing the way businesses are done. Take for example a simple concept, which is called the marketing mix, the way earlier we thought of deployment of resources for reaching out to customers. So, we had this four P's famous product, which was all the concepts related to structuring or the architecture of the package of values, which we call product, Place and Time, which meant the way products reached the consumer, the Distribution, Price and lastly Promotion and Education.

But, in this new service focused economy, service dominated economy, there are three new concepts that we have to add to the marketing mix and these are process, physical environment and people. Take for example, the episode about the way you order food today using phone and internet from multiple restaurants for a party at your home.

Now, there, these new elements; that means the way you transact the new process of transaction and the people with whom you interact need new way of thinking. Because, earlier when you went to a restaurant, the restaurant owners of that business, food and beverage business could focus on the competencies, politeness, responsiveness of their people and they interacted face to face with the customer in an environment and

ambiance of the restaurant.

In certain ways that dominantly physical and tangible world was a known series of processes and solutions. But, today when we have this mix of virtual platform and real occasions, sort of integrated together, where the restaurant comes to your house and sometimes, you may actually create a special occasions in the restaurant.

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So, this mix or transience of the boundaries, create new challenge and that challenge is that in the earlier example of a physical restaurant, how the restaurant publicized itself, how it manage the front end, where it comes in contact with the customer. And how it managed it is back end, the kitchen and it is billing and all that, could be thought of separately.

Even in a restaurant business, it was difficult to segregate, but in a business manufacturing chocolate, you could quite separate. The manufacturing of the chocolate from the marketing of the chocolate or the people who produce chocolates and people who consume chocolates, but if you think through the way today we use various kinds of e-services and p-services that physical services together, how we inter mix physical products with virtual products, tangible and intangible elements, we will able to realize that it has become almost impossible today.

To think of these various managerial functions as separate blocks, so three roles of operations, marketing and human resource management, people, physical processes and the way we reach out and connect the two, create a complete systems orientation, in

separable togetherness of the managerial function.

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**CONSUMER EVALUATION PROCESSES FOR SERVICES**

- **Search Qualities**
  - attributes a consumer can determine prior to purchase of a product
- **Experience Qualities**
  - attributes a consumer can determine after purchase (or during consumption) of a product
- **Credence Qualities**
  - characteristics that may be impossible to evaluate even after purchase and consumption

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Now, in this, when consumers look at a complex range of offering, when a customer is or a citizen is thinking about, say education for his or her children. So, right from the examination process, I am even not discussing the education process itself and what kind of radical transformation is taking place there. Because, you can realize that, through this very course that you are doing, I am at some place, you are at some place, I have recorded it in some point of time, you are participating it in some other point of time, yet we are connected.

What you think? I will be sensing it almost immediately, if you participate in the forum. So, this on one hand complexity on another hand, a huge range of possibilities, so education, post school search for a good institution, a good course, location. All these now have physical interactions, electronic interactions, good possibility of getting inputs from people who are already studying in those colleges, people who are already studying those subjects.

Tremendous access to huge number of platforms, forum to know more on more out of these things, that whether you should study physics or you should study aeronautical engineering. What are the career prospects in each case? How are you suited? Even, that you can find today to various kinds of application and electronic services. This complexity and opportunity continuum tell us that consumer, when they evaluate this modern range of services; they primarily look at three types of qualities.

And we have called them search quality; that is what the range of information, the range of knowledge input, the customer will look for before the purchase of a product or service or combination, experience quality. Now, search quality therefore can happen prior to the engagement between the service provider and the service seeker of the service consumer.

But, the next type of quality, which is experience quality happens during the process of engagement, like when you are having a meal at a restaurant and after, immediately after and more and more we have a third type of quality coming forward in many business engagements and that is, but we call credence quality. Like you have to book your appointment, search out a specialist and seek the help of a medical specialist, some treatment is given.

Maybe you have a minor surgery, but the quality of this engagement will be known later, much later from the time of engagement, from the occasion of engagement. Why am I mentioning these three types of qualities at this early stage is because, I would like you to think about from your everyday experience, the number of services that you are daily using and I would like you to apply these three quality criteria and you will see that for what kind of service, which kind of quality was the dominant or which two combined to give you the satisfaction that you look for.

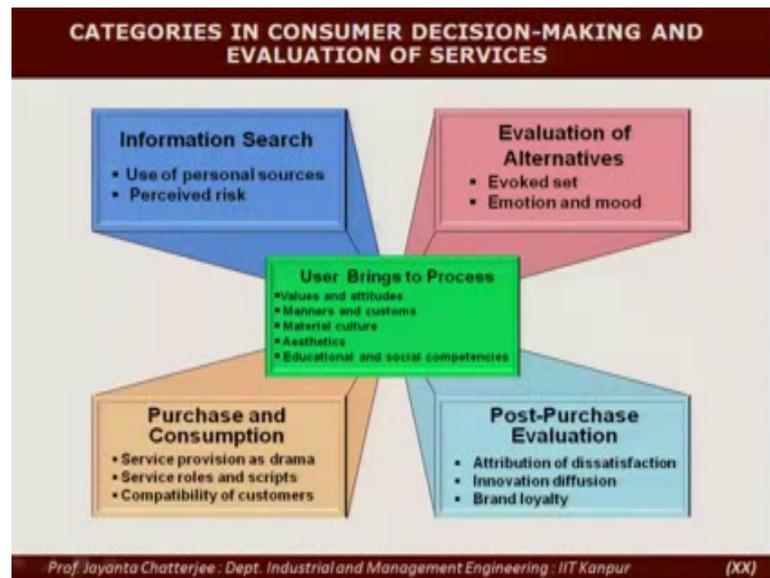
This is important because, if you want to know people in the service process, then we have to know, what they are looking for. So, the process of decision making of a consumer in the service setting must be understood in depth, because that is where everything starts. The consumer needs the resources and competencies the consumer brings and how that can be combined with the provider's resources and competencies to produce value.

Always, remembering that the consumer is looking either for the information quality, experience quality or credence quality. So, the process of exchange and co-creation between the service consumer and the service provider must be guided by the understanding of the nature of customer's need. We must refer here on a tangent, important tangent, Maslow's hierarchy of needs and I would request you to search on the internet, what is this hierarchy of needs.

And it will tell you how, whenever we are seeking any satisfaction, whenever we are seeking solution to any problem, it can be related to very basic needs like your

physiological needs, hunger, fulfillment or the protection against the environment too cold, too hot. To your need of association to need of friendship with fellow beings to your need of a steam, to your need for respect recognition, love and that understanding of the need structure has to be co-related with this our understanding of the different types of qualities that we discussed.

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To create our understanding of this whole structure of consumer, service consumer decision making and the process of evaluation of services, so fundamentally we have four blocks. This is the way, we actually purchase or procure or participate or used temporarily or for a length of time. Almost anything, tangible or intangible and these four blocks are well known from your previous understanding of basic management and marketing processes, information search that is where it starts were you felt the need.

Then, you gather some data information, then you evaluate alternatives, then you have the purchase process and consumption process and post purchase evaluation. To end this module, I will introduce the key focus of this course and of all businesses today, which is the user and what the user brings to the process. So, that earlier simple four steps sequential process can be now thought of as five blocks of interaction and they are not always sequential.

But, most important to understand is that, today we understand that as businesses, the way we provide information about our business, products and services, the way we will help, the service consumer to evaluate alternatives. The process of purchase, the post

purchase evaluation, all must be thought of in terms of what the user brings to this engagement processes.

Their values and attitudes, their manners and customs their sense of esthetics, color, feel, texture, education social competency that is the central block. Not, what we do, but start with that green block in the center, understanding the customer segment that you are addressing. The needs that you want to full fill and then, you dig deeper into those other blocks and then, rethink of these five blocks as a composite system.

Thank you.