



IBM Almaden Services Research

# Considerations for the Management of Services



**Strategic Management, Operations  
and Marketing**



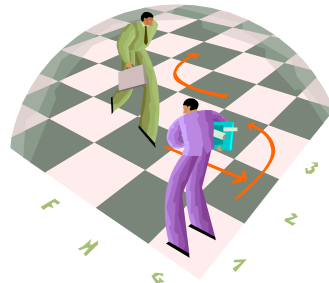
# Unit objectives

Gain an understanding of:

- Creating a services strategy and the unique aspects of services management planning
- The competitive role of information in services
- Services development
- Process analysis
- Diverse marketing challenges in services

# Strategic planning

- A process by which:
  - A firm analyzes current conditions, and projects which might happen in the future
  - From this, it makes decisions about what it should do, within the context of its goals



# Components of the strategic management model

- The steps involved in formulating and reviewing strategy may be summarized as follows:
  1. “SWOT” (strengths, weaknesses, opportunities and threats)
  2. Strategy formulation
  3. Strategy implementation
  4. Evaluate results
  5. Reformulate strategy



# Internal analysis

- The quality and quantity of the firm's resources; strengths and weaknesses; and competencies

Service Delivery System		Operating Strategy		Service Concept		Target Market Segments
<p><b>Features:</b> -People -Technology -Processes</p> <p>Capacity constraints</p> <p>How will it: -ensure quality, -help you differentiate, -create entry barriers?</p>	<p>↔</p> <p>Does the service system tie to the strategy?</p> <p>↔</p>	<p><b>Elements:</b> -operations -finance -human res. -etc</p> <p>Where will you focus?</p> <p>Measures? Incentives?</p> <p>Compare to competition -costs -etc</p>	<p>↔</p> <p>Can you provide the service required and still make a profit?</p> <p>↔</p>	<p><b>Results</b></p> <p>What do your customers want?</p> <p>How are results perceived?</p> <p>What effect on design, delivery, marketing?</p>	<p>↔</p> <p>How is the concept positioned relative to customer wants and competitor's offering?</p> <p>↔</p>	<p><b>Dimensions</b> What do segments have in common?</p> <p>How to segment? What needs do they have?</p> <p>How well are they already being served?</p>

# External environmental factors pertinent to services

- External Environment
  - forces over which the firm has little to no control
- Remote environment
  - Social
  - Technological
- Industry environment
  - Competition
- Operating environment
  - Our resources

# Generic business strategies

## 1. Cost leadership in services

- Requires consideration of the following
  - Efficient-scale facilities
  - Tight cost controls
  - Investment in high-technology
  - Sacrifices in pricing, initial start-up losses
- May look for customers who cost less to serve
- Network strategy

## 2. Differentiation in services

- Creating a service that is perceived to be unique; the drive is for customer loyalty over stringent cost controls.

## 3. Focus in services

- The intention is to serve a narrow market segment in an exceptional way.

# Choosing and implementing a strategy

- Balance a mix of strategies
  - Trade-offs between risk and growth
  - What to in-source / out-source
- Annual or short term objectives
- Measures



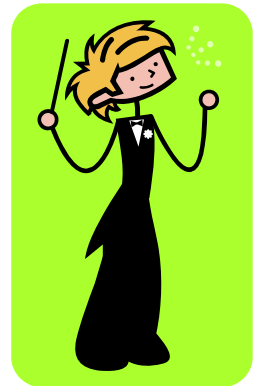
# Organizational structure and culture

- Create policies that empower action
- Structure may need to be adapted to strategy
- Three driving forces
  - Globalization
  - The internet
  - Speed



# Organizational leadership

- Today's landscape
  - Continual change
  - Dealing with ambiguity
- Leaders influence organizational culture
  - Culture has a great effect on success



# Culture

- “How we do things around here”
  - Common values
  - Global challenges
  - Balance control and empowerment
  - Rewards and reinforcement

# One framework

- “Sense and respond”
- Adaptive managerial framework



# Another view

- Tangible culture
- Business practices
  - Made explicit may influence culture



# Controls and making progress

- Premise
  - Marketing intelligence
- Special Alert
  - Notifies when things go wrong
- Strategic surveillance
  - Top five measures to watch
- Implementation control
  - Portfolio management

# Measurements

- Hard to do
  - Too much data, poor collection decisions, erroneous data
- “You get what you measure”
  - What leaders inspect is what people work on
- Customers don't know what they think is good, they just know when it's bad



# New service development design considerations

Element	Considerations
Delivery system	What does the customer see, where does production occur? In B2B can we seamlessly move information from one processing point to the next?
Facilities design	Size, layout, how does it feel? Important in B2C – if people are uncomfortable they probably won't come back.
Capacity planning	Queues and demand. Typically we don't plan for full capacity which would result in waste. What do we do with excess capacity? What do we do with customers when we have to make them wait?
Service encounter	Employee training and empowerment. The culture your people experience affects their ability and willingness which in turn affects customer relationships.
Quality	Measurements and managing expectations. Service quality is covered in another module.
Managing capacity and demand	Adjusting your plans to accommodate customer requirements, or is there a way to drive demand to map to your ability to deliver (think of happy hour).
Information	What to collect, keep, for competitive advantage. At issue here is privacy and who really 'owns' the data? Can you think of any service that doesn't depend on information?

# Service blueprint components

**Physical evidence**      Desktop PC and applications, ticket, records

**Customer actions**      IT request, problem call to help desk, etc  
**Line of interaction**

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**Onstage**  
**Employee actions**      Takes call, opens ticket, visit to employee desk side  
**Line of visibility**

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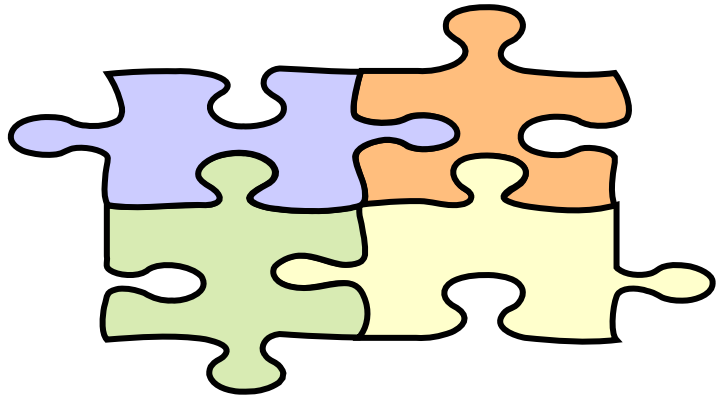
**Backstage**  
**Employee actions**      Refers to manuals, asks for help from team  
**Line of internal interaction**

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**Support processes**      Time recording, payroll, training, etc

# Component business modeling

- Groupings of people, technology and resources
- Delivering some value
- May operate independently
  
- Enterprise view of collection of components

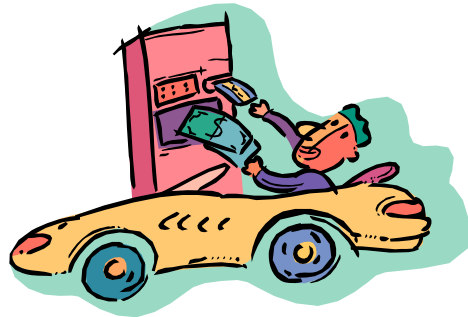


# Strategic positioning through process structure

- From Fitzsimmons (pp 84-86)
- Process enables positioning
  - Complexity ↔ divergence
- Service process object
  - Goods
  - Activity exchange
- Degree of customer contact

# Service system design

- Continuum of customer activity as co-producer
  - From 'production line'
  - To self service



# Managing capacity and demand

- Strategies to manage demand
  - Segmenting customers
  - Price incentives
  - Other promotions
  - Complementary services
  
- Strategies to manage capacity
  - Shared capacity
  - Cross-training
  - Part-time
  - Shifts
  - Increasing customer participation

# Service supply chain

- Systems view
- Attempting to generate efficiencies
- What's different in the services supply chain?
  - Customers as suppliers result in relationships rather than a chain of activities.
  - Typically production and consumption occur at the same time.
  - Service capacity is “inventory”.
  - The customer may supply shoddy inputs

# Value chain

- Process view
  - Activities in order
    1. Portfolio
    2. Design
    3. Demand generation
    4. Selling
    5. Production
    6. Delivery
    7. Invoicing
    8. Post sales support



# Marketing: strategy, branding, communications, pricing, profit

- The experience has as much impact as the deliverable

$$\text{Value experienced} = \frac{\text{Experience + Results}}{\text{Price + Convenience}}$$

# Positioning and branding

- Positioning
  - Analyze
    - Market – to segment
    - Internal – to target
    - Competitors – to differentiate
  
- Branding
  - Be memorable
  - Recognizable
  - “Mind-share”



Trademark

# Communications

- Inform, persuade, create credibility
  
- The 5 questions
  1. Who is the target audience?
  2. What do we want to tell and achieve?
  3. How should we tell them?
  4. Where does the communication go?
  5. When and how often?



# Pricing

- Value based pricing
- Cost based pricing



# The 4 Ps plus 3

- The 4 Ps from marketing
  - Product
  - Place
  - Promotion
  - Price
  
- The 3 Ps in services
  - People
    - Relationships and loyalty
      - Keep the 'right' customers
      - Existing customers increase profit added without additional cost.
  - Physical evidence
  - Process

# What's different in marketing of services?

- Marketing mix more variable
- Closely linked marketing and operations
- Customer interface
- Inventory management
- Determining costs

# Activities (2)

- Using the graphic below, conduct a discussion about the possibilities or limitations of business process outsourcing from two viewpoints – that of the firm and that of the customer.

UCLAAnderson  
School of Management

## IT-enabled Services

