



What is a service?

-

**a look at different service definitions,
characteristics, categorizations,
and the goods vs. services debate
CONTINUED**

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Lecture objectives

- ❑ Recap service characteristics
- ❑ Discuss goods vs. services dichotomy
- ❑ Discuss some frameworks and categorizations of services



Outline

- ▣ Services vs. goods
- ▣ Service categorizations



Characteristics of services



Characteristics of services

- ❑ Intangibility
- ❑ Heterogeneity
- ❑ Inseparability of production and consumption
- ❑ Perishability
- ❑ Customer participation
- ❑ Transfer of ownership
- ❑ Value production
- ❑ Labour intensity
- ❑ Demand fluctuations



Distinguishing services from goods



Distinguishing goods and services

- Goods \sim = physical, tangible products
- Goods are things that can be owned, traded, and distributed to different places at different times without changing their identity
- Services \sim = non-physical, intangible products



Goods vs. services dichotomy

Goods	Services
Tangible	Intangible
Homogenous	Heterogeneous
Production and distribution separated from consumption	Production, distribution, and consumption simultaneous
Nonperishable, can be kept in stock	Perishable, cannot be kept in stock
A thing	An activity or process
Core value produced in a factory	Core value produced in buyer-seller interactions
Customers do not (normally) participate in production	Customers participate in production
Transfer of ownership	No transfer of ownership



Distinguishing goods and services

- ❑ The **IHIP** characteristics have been...
 - ❑ used to distinguish services from goods and...
 - ❑ considered as detrimental

- ❑ However, these views have been recently questioned
 - ❑ Vargo, S.L. & Lusch, R.F. (2004). The Four Service Marketing Myths. *Journal of Service Research*, 6(4), 324-335.
 - ❑ Vargo, S.L. & Lusch, R.F. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing*, 68, 1-17.
 - ❑ And many followers...



**So does anything distinguish
services from goods?**



Customer inputs as the(?) distinguishing factor

- Unified Service Theory (UST): *"With service processes, the customer provides significant inputs into the production process."*
 - The presence of customer inputs is a *necessary and sufficient* condition to define a production process as a service process
 - In manufacturing, customers might contribute ideas to the design of the product, but individual customers' roles are limited to the *selection and consumption of the outputs*, not the contribution of inputs specific to production for that particular customer
 - Sampson and Froehle argue that the IHIP characteristics are either fully explainable by the presence customer inputs or are refutable as being characteristic of *only* service processes
- Sampson & Froehle: Foundations and Implications of a Proposed Unified Services Theory. Production and Operations Management 15(2), 2006, pp. 329-343



Customer inputs as the(?) distinguishing factor

- *"With service processes, the customer provides significant inputs into the production process."*
- **Customer-self inputs**
 - Physical presence of the customer
 - Customer co-production, customer labor
- **Tangible belongings**
 - E.g. one's car is essential input to auto repair service, elevator maintenance
- **Customer-provided information**
 - E.g. insurance policies, tax return preparation
 - Must trigger a process
 - Choosing a candy bar from a shop shelf vs. a vending machine

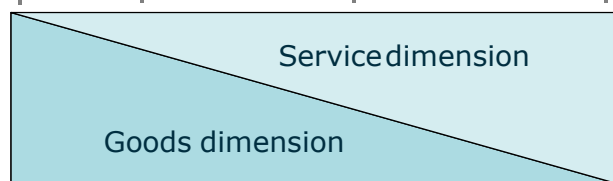


Or is the distinction between goods and services just a matter of degree?



Goods to services continuum

"Just a car" Car Leased car Limousine service



	"Just a car"	Car	Leased car	Limousine service
Physical (Goods)	Car	Car	(Car)	(Car)
Service	Delivery	Warranty Service contract	Lease contract	Travel



One final notion about IHIP...

- From the customer's viewpoint they may not be as relevant
- From the provider's viewpoint they might still lead to important managerial implications
 - Bowen & Ford 2002
- Do not distinguish services from goods nor are they necessarily detrimental
- All products seem to have these IHIP characteristics in varying degrees and their implications must be understood by managers



References

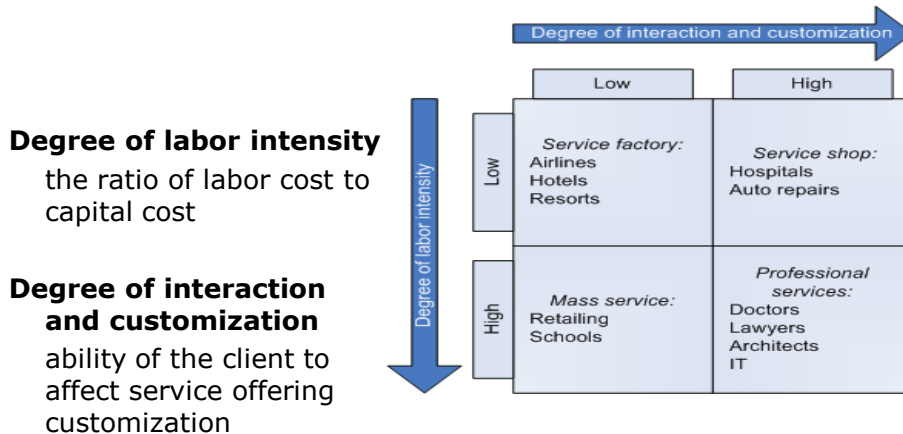
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Categorizations of services

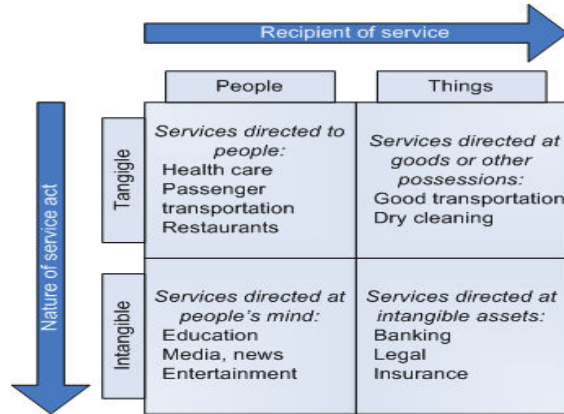


Service process matrix

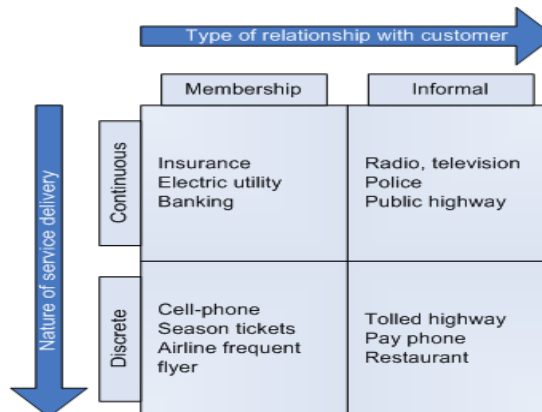




Nature of services act matrix

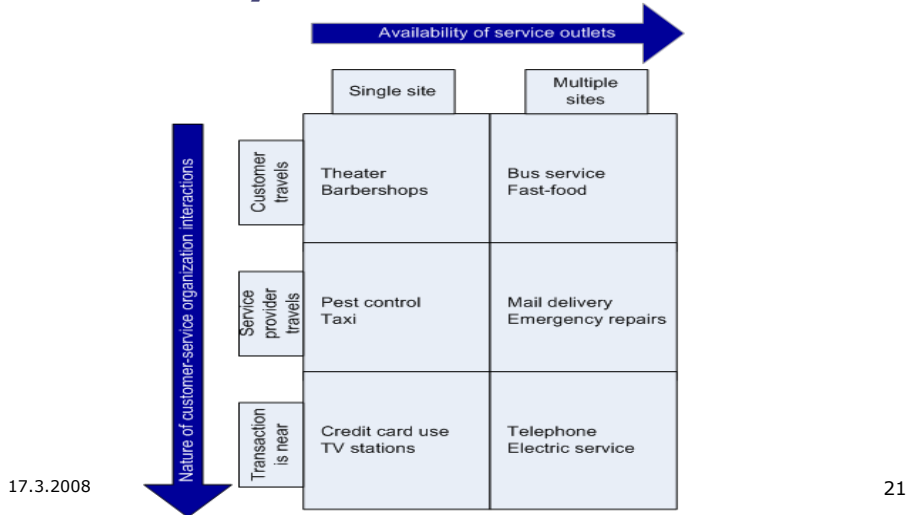


Client relationship matrix

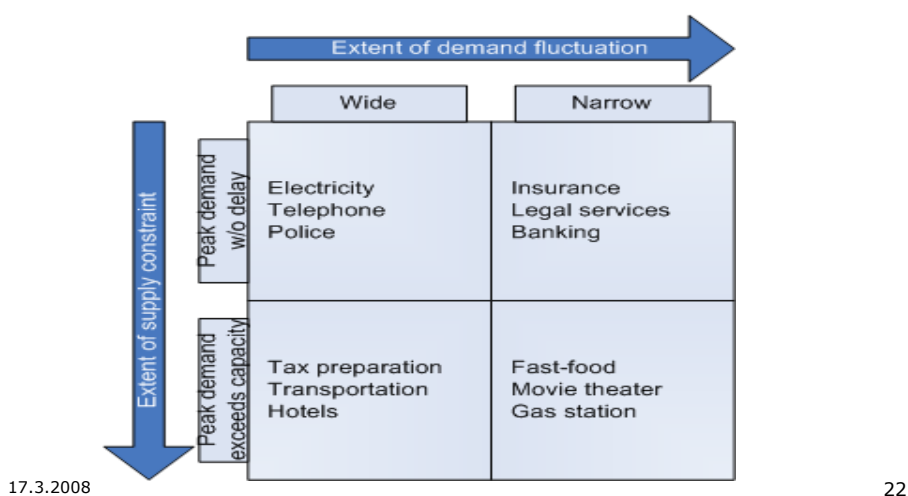




Availability of services matrix

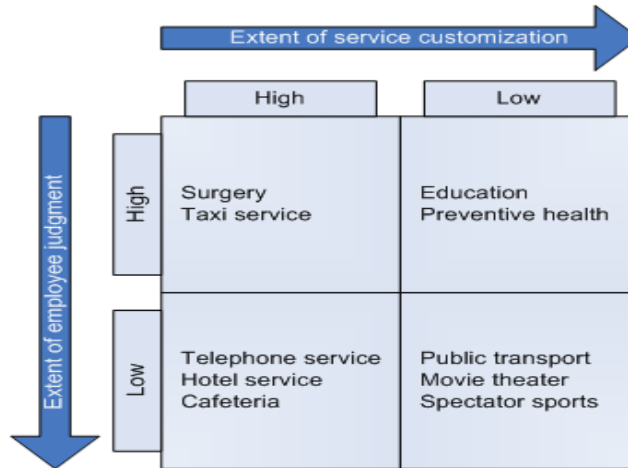


Service demand variation matrix





Service delivery matrix

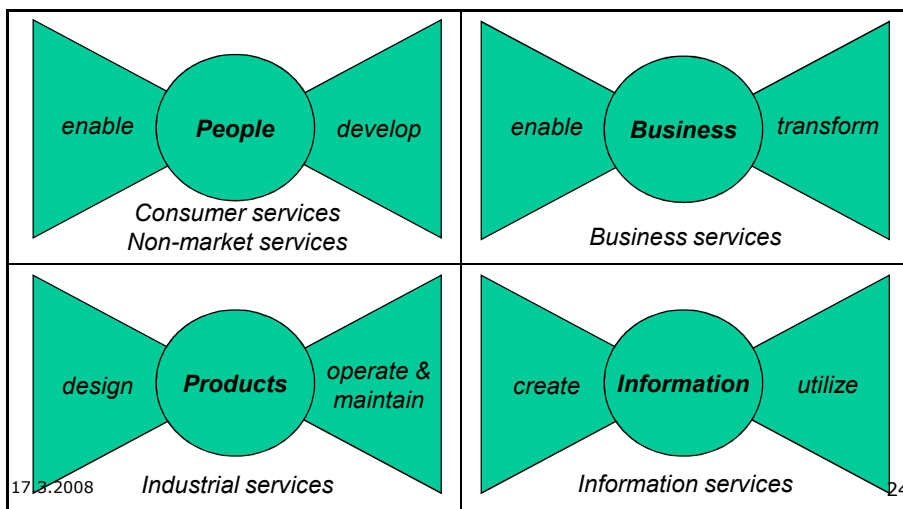


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Spohrer, IBM: a categorization



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Some miscellaneous 'services'



Software as a service

- ❑ Wikipedia
- ❑ Software as a service (SaaS) is a (business) model of software delivery where the software company provides maintenance, daily technical operation, and support for the software provided to their client
- ❑ Instead of installing the software on a local machine, the customer pays on a subscription or per use basis to access the functionality



SOA & Web Services

- Service Oriented Architecture (SOA)
 - An important enterprise technology solution, goal is to achieve flexibility
 - Enterprise wide architectural approach
 - Viewing business resources and applications abstracted as services providing some functionality with a standard, publishable interface
- Web services
 - Wikipedia: "The W3C defines a Web service as a software system designed to support interoperable Machine to Machine interaction over a network."
 - Web services are an architectural idea and a set of standards and techniques, one possible technology to implement SOA
 - Used by a machine, another piece of code



Industrial services

- From Paloheimo et al. 2004:
- Services that are offered for customers' industrial production processes, typically B2B
 - E.g. delivery, installation, calibration, commissioning, servicing, maintenance, and upgrades of equipment
 - E.g. user and technical training, maintenance management, operation, equipment availability, exchange programs, process optimization – support for equipment use in process
 - E.g. plant availability, plant optimization, equipment financing, asset management, consultation – helping customers to run their business optimally



Self-service

- ❑ Number of different self-services has grown because of technology innovation
- ❑ In "Self-service" a service provider takes an activity formerly performed by an employee and allows/requires the customer to do it, generally to reduce costs
- ❑ Usually the employee has been replaced with an automated system (e.g., ATMs, web sites for commerce, tracking, etc.)
- ❑ Self-service allows for 7-day, 24-hour services and this flexibility and convenience is valuable to customers