



**Sloan School of Management
Massachusetts Institute of Technology**

Framework for analyzing Service Operations

*A summary of relevant literature
compiled by Gabriel R. Bitran*

CORE AND SUPPLEMENTARY SERVICES

● **Branding** :
importance of
company
reputation

● **Features** :
period of policy,
flexibility,
benefits payable

● **Processes** :
methods used to
process policies
and claims

● **Tangibles** :
brochures, policy
documents

INSURANCE

● **Accessibility**:
whether available
direct or through
insurance brokers

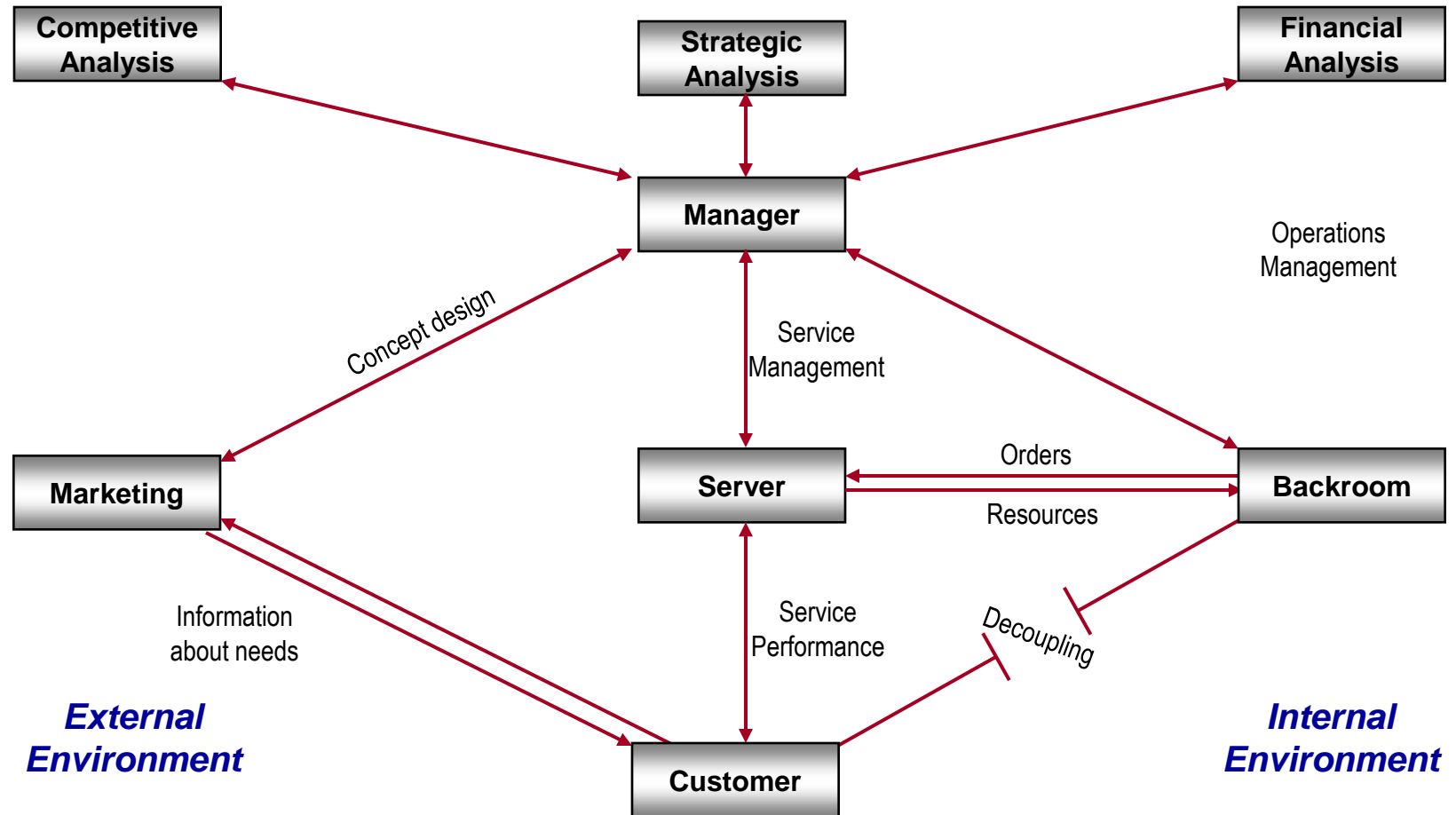
● **Packaging** :
other benefits
included in package
(e.g. advice services)

● **Quality** :
level of CSI sought
with respect to
outcomes and
processes

**CORE
BENEFIT :**
“Peace of
Mind”



External and Internal Environment



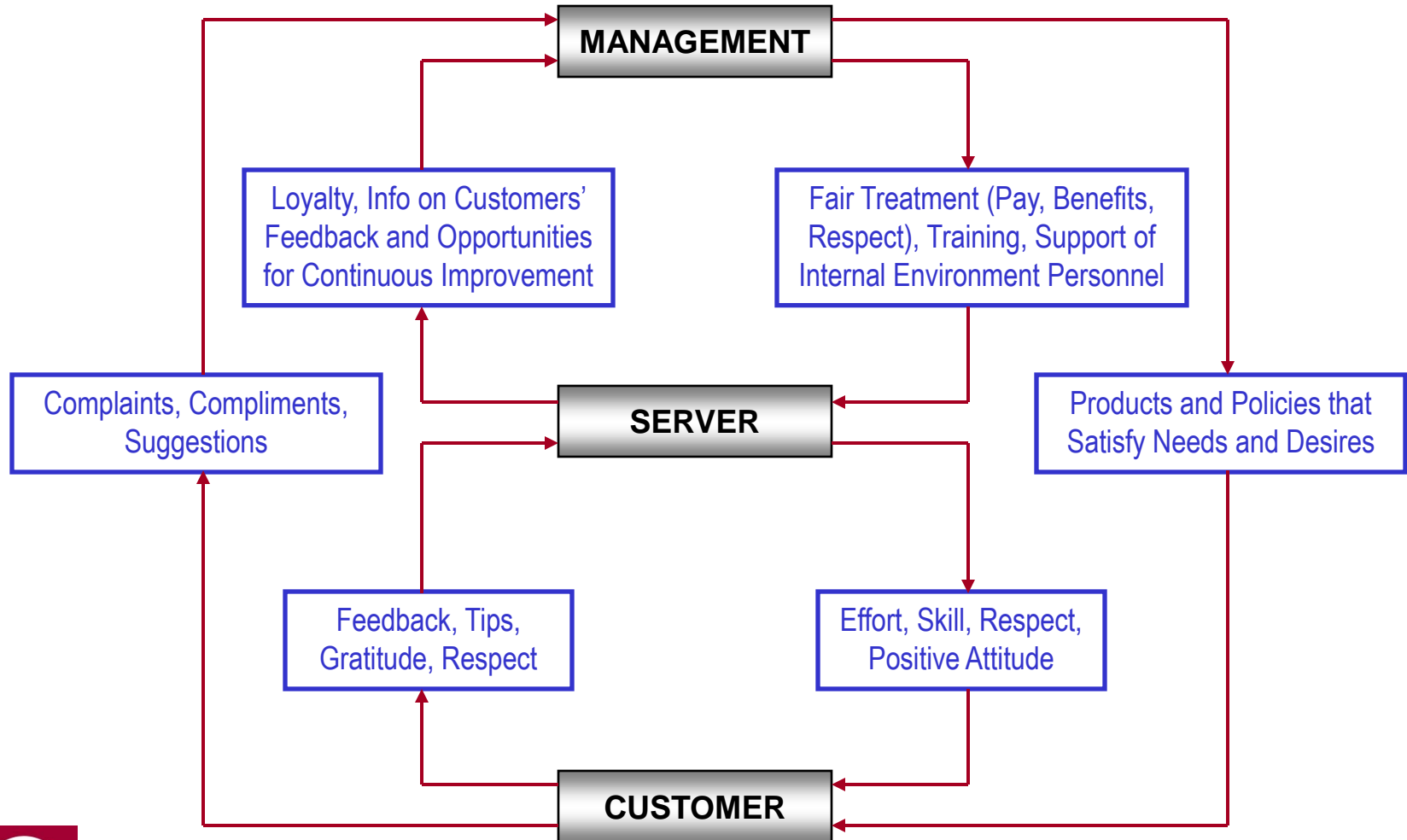
Some Characteristics of Services

a) ATTRIBUTES OF SERVICE

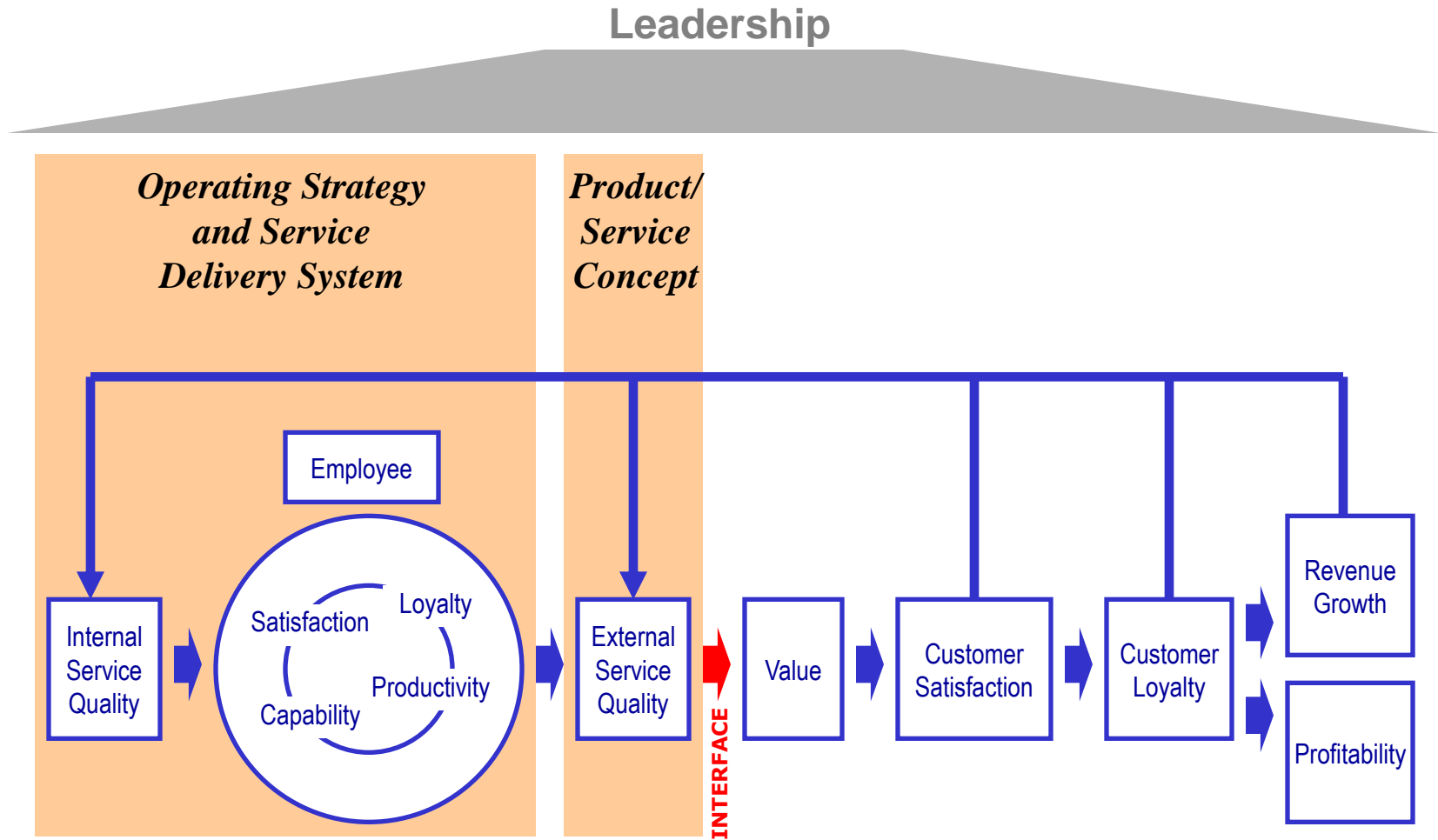
- **Intangibility** - explicit and implicit intangibles
 - **Perishability** - an hour of non-production is an hour lost
 - **Heterogeneity** - inherent variability of service
 - **Simultaneity** - services are simultaneously produced and consumed
-
- Based on Consumer Perception
 - Value Added Concept
 - Main Services Versus Facilitating Services



Dynamic Interactions



Service Profit Chain



Cycle of Success

Figure from Schlesinger, Leonard A. and James L. Heskett. "Breaking the Cycle of Failure in Services." *Sloan Management Review*, 32:3 (1991) p.17. This figure was removed due to copyright restrictions.



Cycle of Failure

Figure from Schlesinger, Leonard A. and James L. Heskett. "Breaking the Cycle of Failure in Services." Sloan Management Review, 32:3 (1991) p.17. This figure was removed due to copyright restrictions.



Operations Management

e) Demand and Resource Smoothing

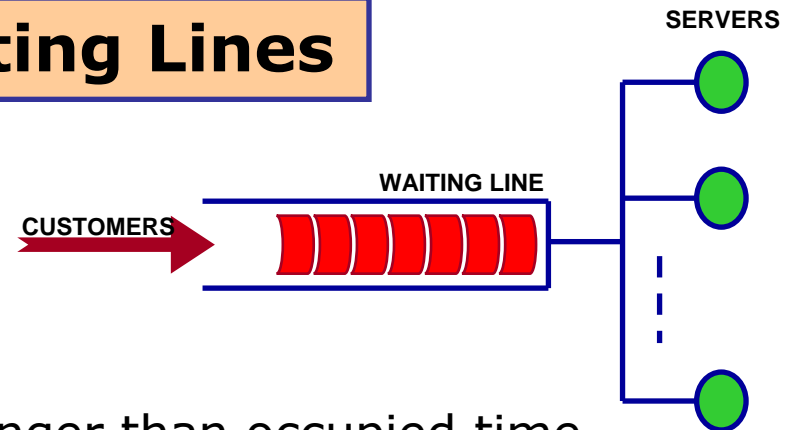
- Controlling demand
 - Pricing strategies
 - Complementary services
 - Reservations system (appointments)
 - Develop non-peak demand
 - Preventive maintenance

- Controlling supply
 - Floating staff, part-time employees
 - Maximize efficiency. Cross training of staff, flexible equipment
 - Modular facility design
 - Work-at-home
 - Share capacity



Management of Queues

The Psychology of Waiting Lines



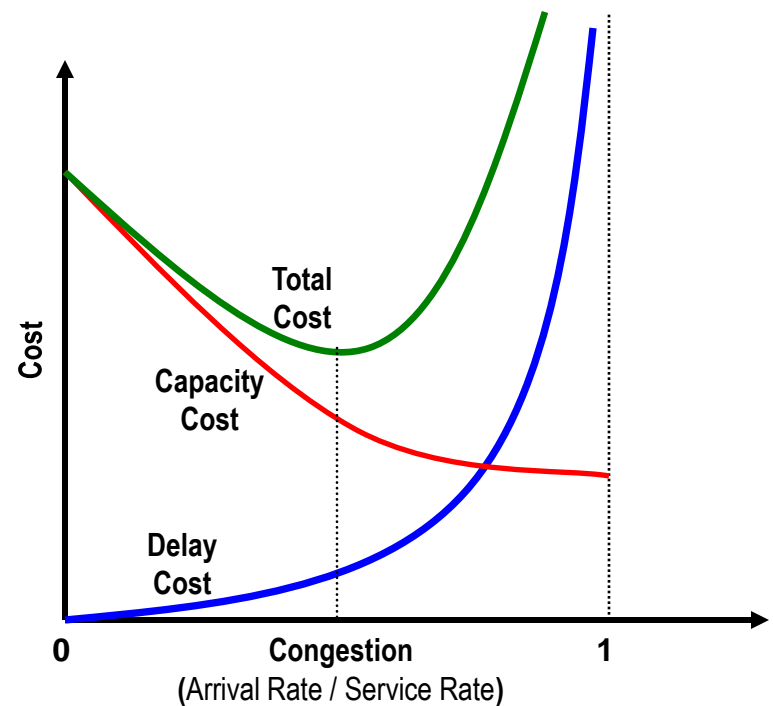
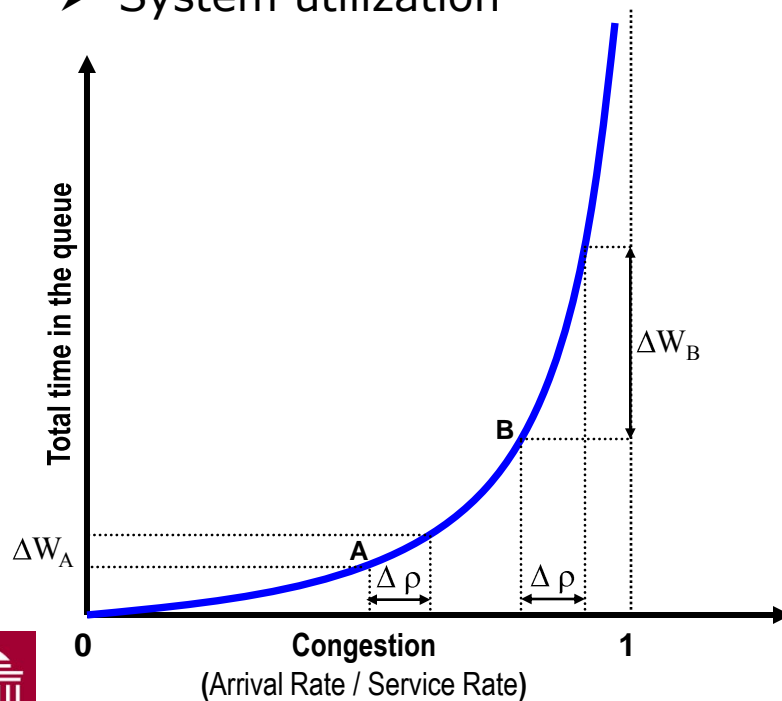
Propositions

1. Unoccupied time feels longer than occupied time
2. Process waits feel longer than in process waits
3. Anxiety makes waits seem longer
4. Uncertain waits are longer than known, finite waits
5. Unexplained waits are longer than explained
6. Unfair waits are longer than equitable waits
7. The more valuable the service, the longer the customer will wait
8. Solo waits feel longer than group waits

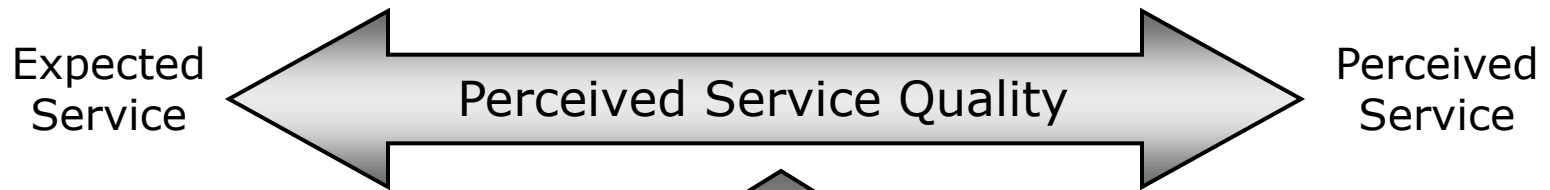
Management of Queues

Some characteristics of Queuing Systems

- Number and type of servers
- Waiting time, service time, and system time
- Queue discipline
- Number of people in queue
- System utilization



Quality Control: *Perceived Service Quality*



Corporate Image

Technical Quality

- Knowledge
- Technical solutions
- Employees' abilities
- Computerized systems
- Machines

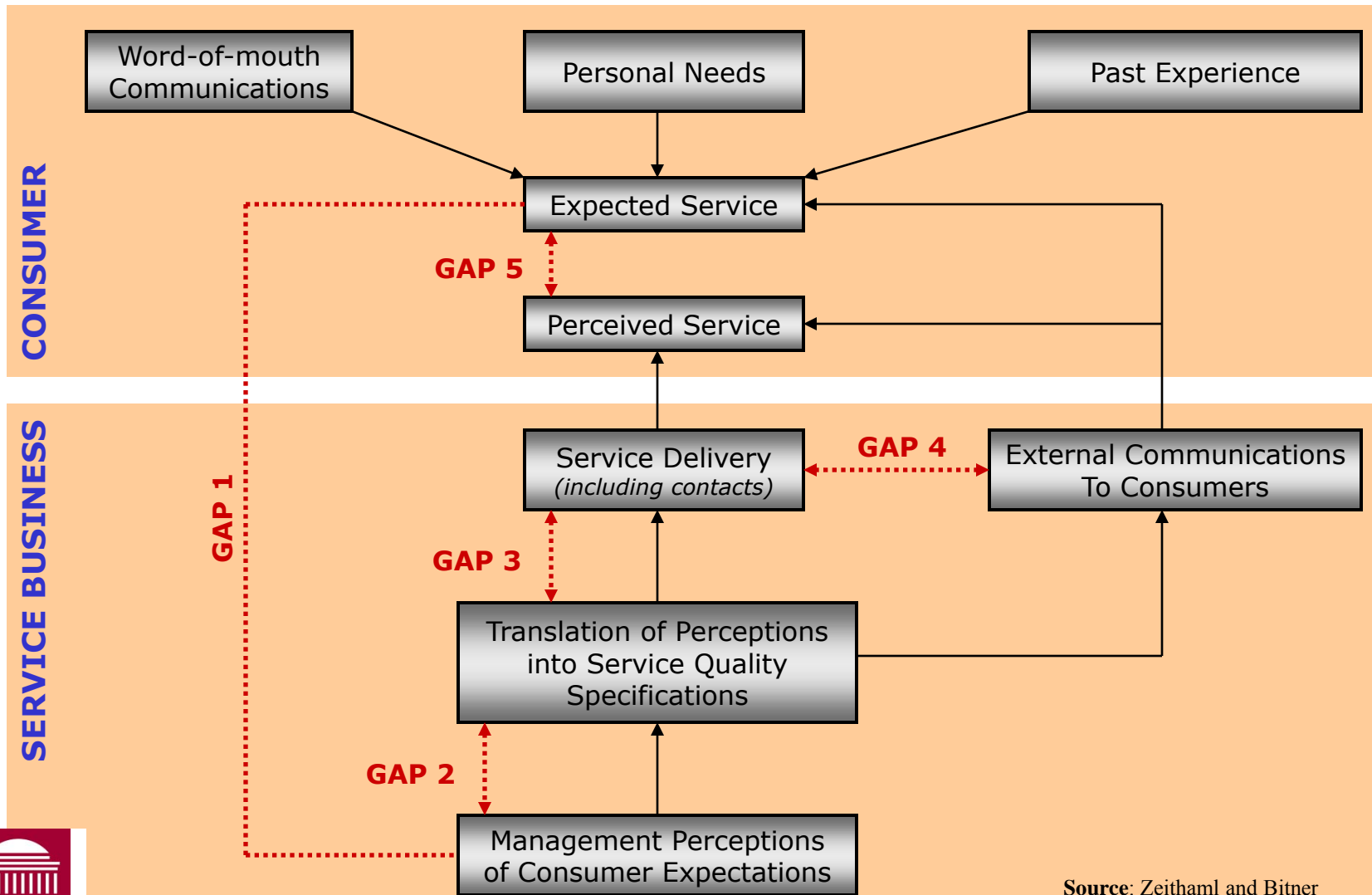
WHAT?

Functional Quality

- Attitudes
- Internal Relations
- Customer contacts
- Behavior
- Accessibility
- Service-mindedness
- Appearance

HOW?

Quality Control: *The Service Quality Model*



Source: Zeithaml and Bitner



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Service Guarantees

*A summary of relevant literature
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Outline of the Lecture

- Characteristics
- Attitudes
- What a guarantee does
- Higher benefits



Characteristics

A good service guarantee is:

- Unconditional
- Meaningful
- Easy to understand and communicate
- Easy and painless to invoke
- Easy and quick to collect
- Credible



Attitudes

- Negative

- “How do I minimize warranty costs while maximizing marketing punch?”

- Positive

- “The guarantee is the single most reliable way to identify operational areas needing improvement; Guarantees not acted upon are data not collected.”
- Money spent on the guarantees is an investment in customer satisfaction and loyalty.”



What a guarantee does

- Service guarantee forces an organization to explicitly define its customers needs
- A service guarantee forces an organization to understand all the elements of its service-delivery process
- A service guarantee forces an organization to determine the root causes of its operational problems
- A service guarantee forces a sense of urgency on an organization
- A service guarantee forces an examination of vendor quality

Higher benefits

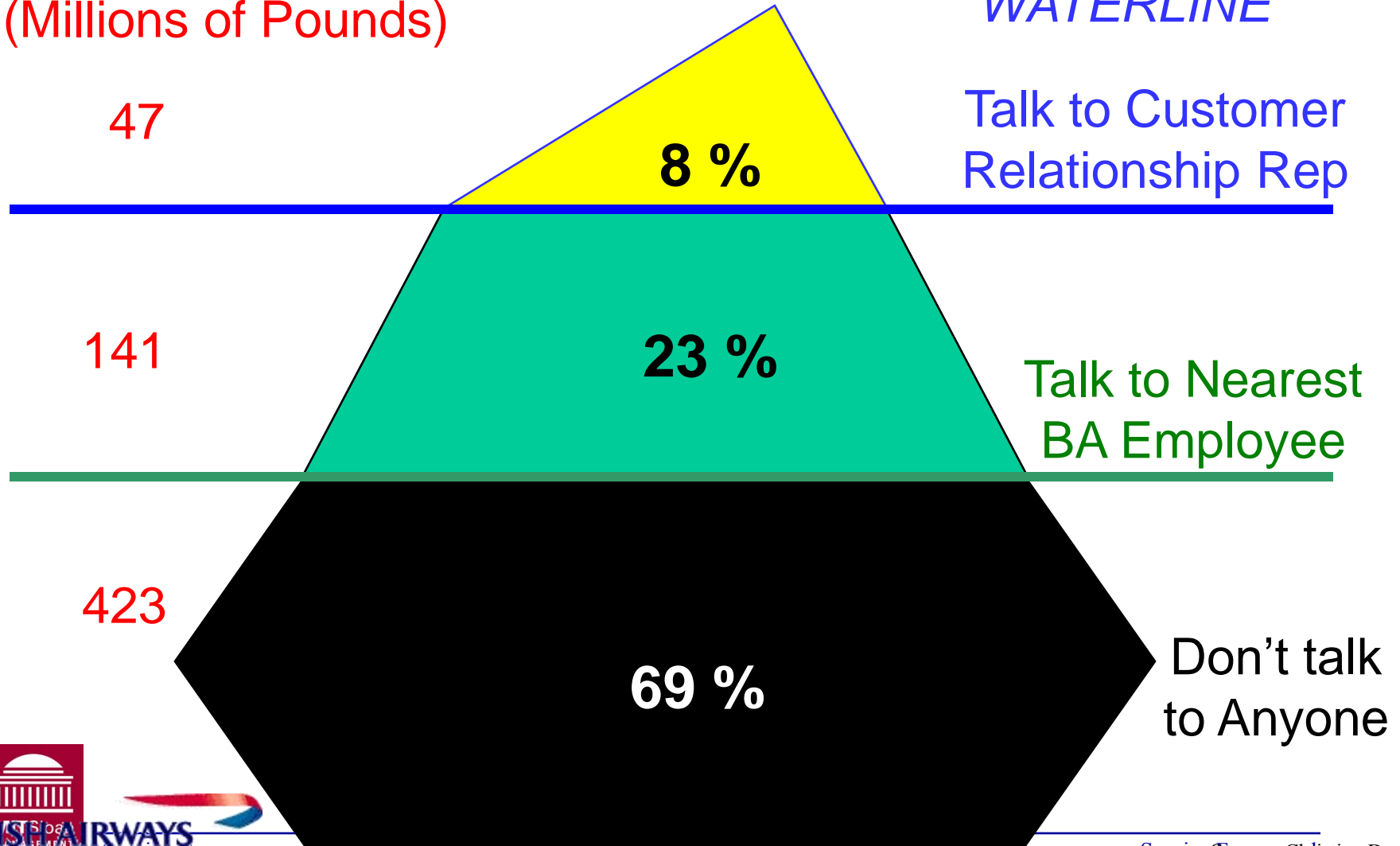
The benefit of a service guarantee is higher when

- The price of the service is high
- The customer ego is on the line
- The level of the customer expertise with the service is low
- The negative consequences of service failure are high
- Customer's image of service quality in the industry is low
- The company depends on a high rate of customer repurchase

THE "COMPLAINANT ICEBERG" AT BA (1/3 of total customers)

Potential Revenue Lost
(Millions of Pounds)

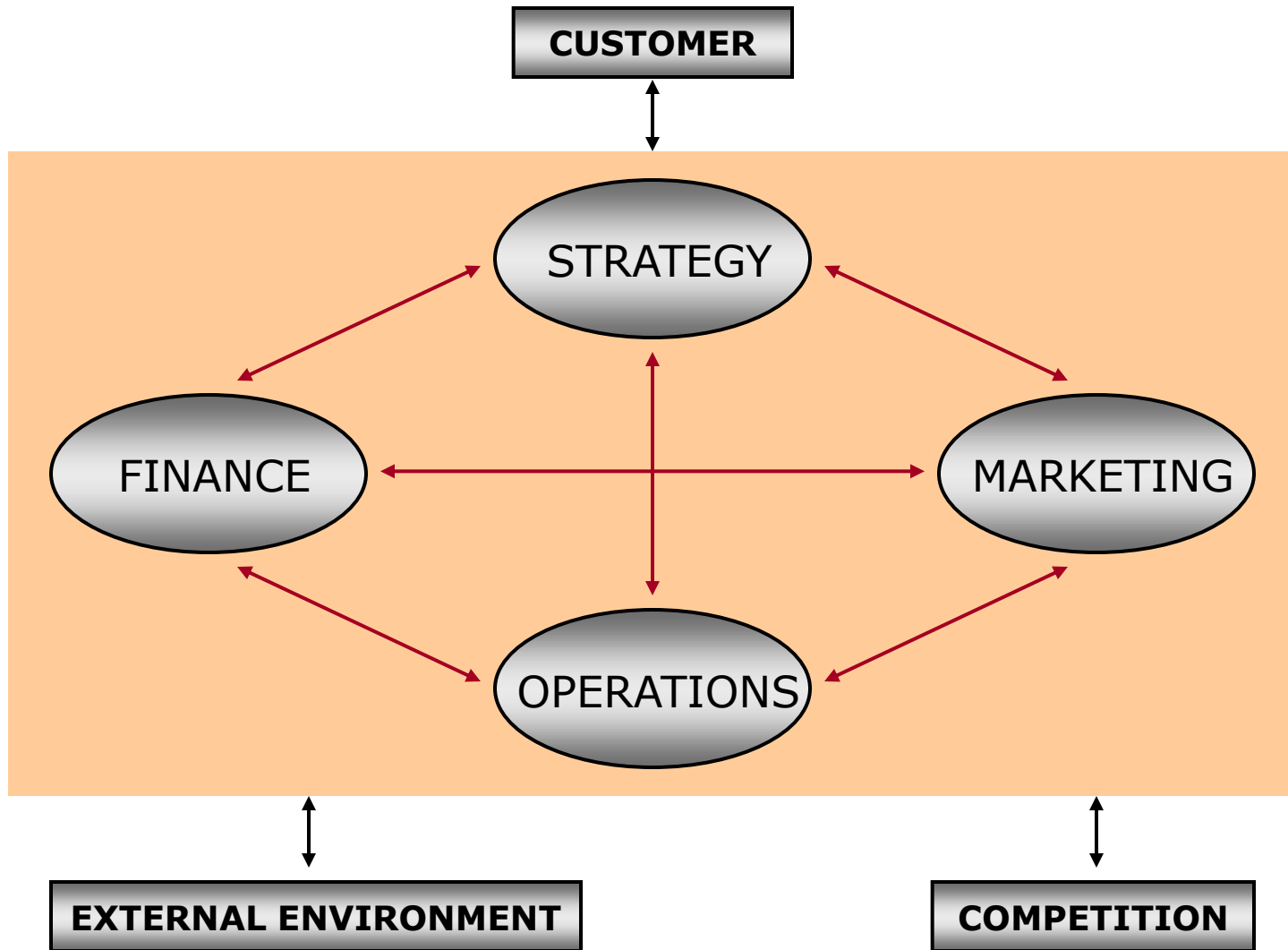
*THE KNOWN
WATERLINE*



Service Source Christian Dussart

An opportunity occurs somewhere on the network every 15 seconds

Integration



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15.768 Management of Services: Concepts, Design, and Delivery
Fall 2010

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