

**Managing Services**  
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**Lecture – 01**  
**What is Service**

Hi, this is Jayantha Chatterjee from IIT, Kanpur and over the next 8 weeks, I am going to focus on and discuss with you interactively about Managing Services. What are services, how they were perceived earlier, how they are being perceived today and in what way service business, service industry is transforming today. And therefore, how most likely they will be likely perceived tomorrow, most likely they will be manage tomorrow.

So, this yesterday, today and tomorrow of service management, services marketing, service operations, the role of people in services, these will be topics that we will be looking at. We will focus more and more on our contemporary research and how we understand today's paradigm of services and what are the new learning's, that are leading us to higher level of performance in these kind of businesses.

All these will be our course content and most importantly, we will discuss how service is changing not only within the boundary of the service businesses, but how service is bringing to us a new logic, a new philosophy for all businesses. As I have talked about that in the introduction video, we will expand more on that new emerging paradigm of the service, logic service philosophy of all businesses.

Now, though today, service has very paramount, very prominent position in the economy, in the earlier years, in 18th century, it was not so. In the hay days, in the early days of industrial revolution and emergence of mass manufacturing, goods newer and newer types of products dominated the thinking of economists, managers, business people.

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**WHAT IS SERVICE ?**

- The action of Serving, Helping, Benefiting...
- Acts, Deeds Performances, Efforts....Different from Goods, Articles, Objects..
- Professional skills, knowledge, labor, facilities, material-tangible and intangible resources are contributed by service providers and service users-consumers-- in networked systems. Value is co-created by solving problems, meeting needs..
- Usually no transfer of ownership.

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In those days, the action of serving, helping, benefiting, these were the usual connotations when we thought of service. A little later as industries started evolving, as the economies started expanding, the industrial economy started expanding, there were more and more needs of additional inputs to make products or devices function better, function properly.

And particularly, when the technology content started increasing the need of knowledge and expertise to operate to use products started augmenting, we brought in things like acts, deeds, performances, efforts. But, yet very distinctly, these were considered different from goods, articles, objects and in those days, I mean right from Adam Smith today, services were considered to be a little inferior to goods. They were perishable; they were intangible and so on.

So, like Adam Smith I have talked about productive elements, which were actually the goods, objects and in some way, he connoted services as unproductive. But, today the situation is different, as I will show you, services today dominant the GDP, the economic structure of most developed economies and even many emerging economies. So, today services are thought of as an act of co-creation.

So, when we had the goods perspective, dominating our business thinking, marketing thinking, we thought of marketing and the core of business as exchange a values, somebody wanted something and somebody had something. So, providers and seekers exchanged values and that was considered as the engine of business. But, today take for

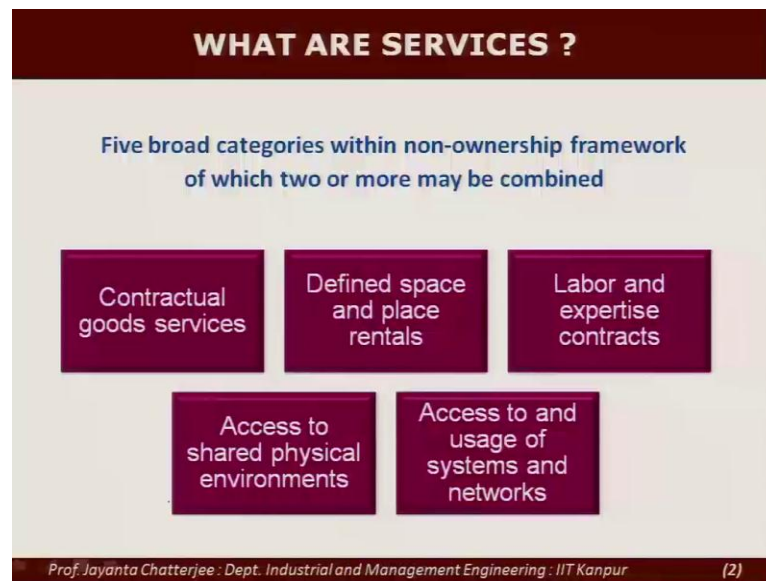
example, this particular session, which we are having, this particular topic on service management, where you and I, we are coming together and you can immediately perceived that here a successful productive engagement will happen.

When you bring your expertise, your knowledge and I bring my expertise, my knowledge, my understanding and my research and you bring your attention and I bring my enthusiasm. You bring your attention and I bring my sharing and these elements in a complex network over information and communication technology platforms are together co-creating new knowledge modules, possibilities and for all we know, some of you may become tomorrow service entrepreneurs.

So, there will be new streams of economic activities that will be generated, from this somewhat intangible knowledge intensive exchange and more than exchange, co-creation that we are engaged in here through this course. And we have many, many services today, many, many economic activities were this providers and seekers coming together in a complex network, creating values together to solve problems, to meet individual and social needs or giving a new complete meaning to the way service is perceived.

And as I mentioned earlier, in the way all businesses are perceived today. One key element of service business is that, in most service businesses as suppose to your actor buying a soap, there is no transfer of ownership. If you look at a soap or a tooth paste, there is a continuous transfer of ownership from the manufacturer to the whole seller to the distributor to the retailer and finally, to the consumer. Almost at every stage, there is some kind of exchange of money and product and the ownership gets transferred.

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But, in service, there are number of occasions, for example, if you go to a movie show or you switch on your light, you are using a productive package. For a certain time, enjoying it and you are bringing also may be your friends, which enhances your enjoyment, maybe certain mental framework that you are bringing together and therefore, the movie or a music consort or an educational interaction in all these cases therefore, you are not looking for buying the movie hall.

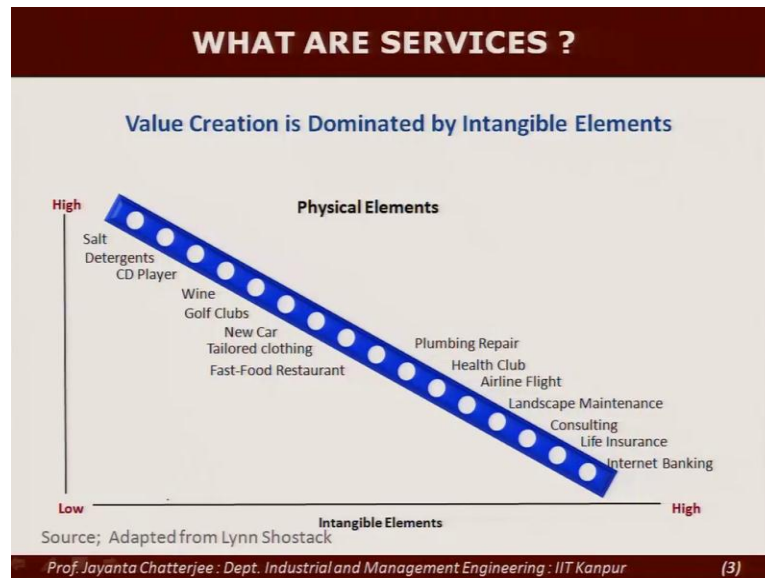
You do not bother about, what are the infrastructure in investments, in a power generation, transmission, distribution system, when you switch on your light. You have no intention of buying movie projectors or the movie hall ambience, you use it for a certain time and a certain contractual conditions and this non-transfer of ownership, which can be categorized in these five blocks that you see in front of you.

And as you think about these, you will see that more and more, these will be the nature of most businesses and as I mentioned in my introductory video, this is very important today. This creation of business paradigms where transfer of ownership is not needed, use and return. Because, otherwise we have an economy, which relies on taking stuff taking resources from nature, making things and transferring the ownership and ultimately all that is creating a huge mountain of waste around the world.

And really, we do not know today we often do not think about how critical this problem of continuous ways generation is becoming. So, thinking of all businesses, a service, thinking of non-transfer of ownership oriented, co-creation of value by bringing

temporarily resources together expertise together is very important way of managing the economy that we have to understand in depth. And that is what we will do over number of modules over the next 8 weeks.

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Now, few important things and easily understood concepts, I will introduce before I conclude this particular module and that is on your screen right now. That almost everything in the world can be seen as you in the x axis, we have intangibility. So, there is a low intangibility to high intangibility and there as you can see that, if you take salt, salt is highly tangible.

There is that at one end of this particular graph, which is adapted from Lynn Shostack work, research and right at the other end, we have this what we call internet banking or life insurance here. Now, an airline flight as you can see, we are going from high tangibility to high intangibility, this is the spectrum of services.

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<b>4 CATEGORIES OF SERVICES</b>		
Who or What is the Direct Recipient of the Service?		
Nature of the Service Act	People	Possessions
Tangible Actions	<b>People-processing</b> (services directed at people's bodies): <ul style="list-style-type: none"><li>• Barbers</li><li>• Health care</li></ul>	<b>Possession-processing</b> (services directed at physical possessions): <ul style="list-style-type: none"><li>• Refueling</li><li>• Disposal / recycling</li></ul>
Intangible Actions	<b>Mental stimulus processing</b> (services directed at people's mind): <ul style="list-style-type: none"><li>• Education</li><li>• Advertising / PR</li></ul>	<b>Information processing</b> (services directed at intangible assets): <ul style="list-style-type: none"><li>• Accounting</li><li>• Banking</li></ul>

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And most things today, most business engagements are both elements, tangible and intangible in a kind of integral fashion and that is why in this course, we will often talk about product service tangible, intangible as a composite system for creating values and solutions. I will end today's this module with this particular slide and I would like you to think about it and this is where, we will begin in the next module.

Thank you.