

Managing Services
Prof. Jayanta Chatterjee
Department of Industrial Management and Engineering
Indian Institute of Technology, Kanpur

Lecture – 02
Evolving Service Markets

Hello, I am Jayanta Chatterjee and I am interacting with you on this course called Managing Services contemporary issues.

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

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As we discussed in the previous module, services have a very close relationship with goods and products and in many ways today in most activities in business, they are kind of together as a system. In the last module we had this slide, which was the ending slide and this is, where we start today. This is a simple way of looking at the taxonomy of services or how services can be classified, so it is say 2 by 2 matrix, which is very popular in management.

So, we have here on one side, that who or what is the direct recipient of the service. So, there we have people and possessions, on the x axis or on the vertical axis we have the nature of the service act. So, we have tangible and intangible, tangible actions and intangible actions. Now, combining these 2 by 2 sets of concepts, you can see that we can easily classify different services that we are regularly using.

So, when it comes to people as recipient of service and we are talking about tangible actions, then we have what we call people processing services like when you go for a

hair cut or you go and visit the nearest health centre for some blood test or some pharmaceutical procurement. So, these are tangible inputs to people, where people and the inputs interact. So, again I would emphasize that a good hair cut is not only provided by the barber by the saloon professional, but also a good hair cut needs your contribution. So, always remember this co creation element and keep watching that, particular phenomena emerging in front of you.

Now, we can have also intangible actions and meant for people and that will be like for example, this particular session that we are having an educational session. It is an intangible action directed at your mind and we are exchanging knowledge and attention and it is a kind of mental stimulus processing as suppose to people processing. Then, it could be like possession; that mean some kind device, some product, where there are some tangible service actions as input.

So, this could be the act of refoiling or when you take something for refurbishing or maybe for disposal of a recycling. So, these are all elements of an examples of tangible actions directed towards material objects possessions. A last quadrant is the one where intangible actions on positions, so this can be easily understood as your banking or accounting, where there is an intangible information oriented interaction related to material possessions or money that you have and therefore, that becomes a separate category, which we call information processing.

So, people processing, possession processing, mental stimulus processing and information processing are the four kinds of services derived from the spectrum of tangibility and intangibility and as later on we will see that these boundaries among these four quadrants are often diffused. So, there are different kinds of services, which set between the two quadrants and we will see those examples as we go along.

And now, with the explanation given to the first module ending slide, I am moving to the next module which is to understand, why today we are so interested in service market, service businesses, the service concept and what is happening around us today.

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WHY STUDY SERVICES?

- **Services dominate most economies and are growing rapidly:**
 - Services account for more than *60% of GDP worldwide*
 - *59.9% FY 2014 India*
 - Almost all economies have a substantial service sector
 - Most *new employment* have been provided by services
 - Strong *growth area* for India and South Asia-1576 to 3441 in K Crores FY 2005 to 2014

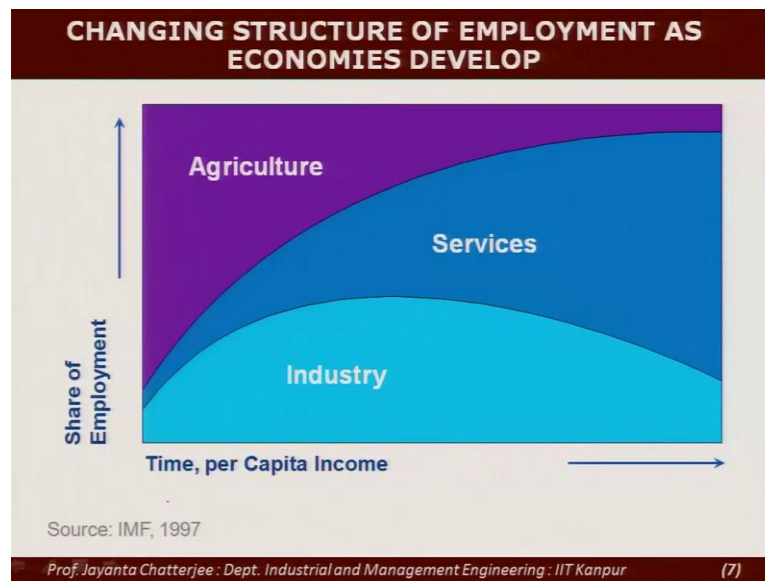
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So, services today dominate most economies and most interestingly old types of services business are growing very rapidly. So, services account for more than 60 percent of the GDP worldwide. According to the latest statistics in 2014, 59.9 percent again almost 60 percent of India's GDP came from services. I will discuss that maybe in the next slide, that how India has an interesting alternate path of economy development and where there are number of debates, so we will briefly touch up on those debates.

But, suffice it to say that you take any economy around the world today and on the internet, you can get list of all economies and all the GDP's and their components and you will find substantial significant part comes from the service sector. Also very important for you and for me and for all of us around, that this sector has contributed most new employments and therefore this is a growth engine.

So, so much to say that in India for example, 3441 thousand crores of rupees were the revenue generated by service businesses in 2014 and this has grown from the level of 1576 thousand crores and if you go in millions you know 10 billion, so it is a crore. So, that means we are looking at 15760 million crore to million conversion, so 15760 thousand. So, we are talking about billions and billions, but most importantly 1576 growing to 3441 between 2005 and 2014. So, we were looking at more than doubling in the economic output over a span of about 10 years.

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And as a result this is a slide from 1976, but this trend is continuing. In different countries the composition maybe slightly different, but this is the trend; that means, in most developed economies a significant output came from agriculture, very rapidly agricultural output with respect to industry output diminished, so industry dominated. And then over time, industry output was less compare to services and services output dominates today most in the most economies.

As you will see in the previous graph, that on the x axis we have time as well as per capita income; that means, there is a tight well researched well established co relation between the development of the economy; that means, that is more per capita income will enhance the demand for services, service business outputs will increase. So, in a way the level of service activity can tell us about the level of economy growth in a particular country.

There are new situations as I was little while back mentioning, that for example in India from agriculture we did not go through that intermediate level of mass industrialization. Our industrial growth and service industry growth kind of happened together.

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WHY STUDY SERVICES ?

➤ **Evolving service markets**

- **Technology changes, Government policies, Social changes, Business structures, Internationalization**
- **Demand**
- **Supply**
- **The competitive landscape**
- **Customers' choices, power, and decision making**

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And service business says service outputs started dominating and as a result we have created a new kind of a structure. There are debates and saying that the as agriculture mechanizes, the people who will get displaced from agriculture to find new employment, new gainful engagement. Services may not be good enough, because services usually ask for people of higher caliber, service professionals have higher level of knowledge competency. And therefore, to take agricultural semi skilled or unskilled labour and find them gainful employment, people are arguing that we need refocus on manufacturing industries.

But, even that, even if that and that should happen, so even if that happens and we go on the right path, where we focus more and more on make in India. We are never going to discount the huge software industry, the huge knowledge based knowledge intensive service industry, that we have build up today in India, that will continue to be a growth engine.

So, it is not either are situation we need therefore, growth in service growth in manufacturing and as we will see in many ways highly competent and highly competitive manufacturing is well integrated with services. So, this evaluation that is taking place is taking place due to technology changes. So, the product like an I phone cannot be the successful without the service of high tunes.

And today if you see most smart phone that you used they are smart, you like and you spend hours with the screen of your phone, because of the many services, games,

information, infotainment applications. So, the apps, which are capsule services make those products, so much more productive valuable attractive. So, this kind of change in technology change in government policies social changes at changing the nature of demand and supply changing the nature of competition they emergence of apple and it is dominants in the mobile phone industry is a radical change in the competitive landscape of mobile phones.

And service thinking of a company like apple contributed to that radical competitive strength they have created becoming the one of the most valuable companies of the world and services are also changing customer's choices power and decision making and earlier it was set customer is the king customer is the reason for our business. But, today that is not a say, so today it has to become this customer's centricity, humans centricity as to become the key mantra, as to become the core philosophy of business.

And the service thinking, service philosophy, service logic of business as a big role to play in this paradigm shift from objects to people, from the new focus and the customer and engaging with the customer's, involving the customer, changing from we and they to us. That is the structure that, we will take up in more detail in the next module.

Thank you.