

Learning to Inventory Service

Wednesday, April 1, 2009

Topic: Performance Management

Reference: Chopra, Sunil and Lariviere, Martin. "Learning from Zillow and Zoots." Kellogg Insight: http://insight.kellogg.northwestern.edu/index.php/Kellogg/article/lessons_from_zillow_and_zoots. January 9, 2009.

Performance improvement for service oriented business organizations is generally limited to discussions of personnel, customer outreach, planning, and time management. Services are often not broken down into inputs and analyzed for their ability to build time saving templates, lean out process requirements, or to store service delivery capability for the future. In so doing, executives at service companies miss the opportunity to build service economies using techniques developed and readily available in manufacturing.

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Performance improvement for service oriented business organizations is generally limited to discussions of personnel, customer outreach, planning, and time management. Services are often not broken down into inputs and analyzed for their ability to build time saving templates, lean out process requirements, or to store service delivery capability for the future. In so doing, executives at service companies miss the opportunity to build service economies using techniques developed and readily available in manufacturing. In the referenced article the commentators explore this topic and conclude that service inventories may be a key factor in changing the dynamics of service capabilities. "Many firms take advantage of service inventory to improve offerings along four key dimensions: quality, speed, customization and price. Managers must pay attention to these areas in order to match service structure to customer preference." The commentators define service inventories as stored work, or work performed in advance of a customer's arrival. The same can be related to specific information, delivery format, timing or efficiency. The key impact of service inventory management is its ability to deliver cost and performance efficiency in a way that results in higher customer satisfaction. "A byproduct of service inventory management is workforce efficiency." By extension it is also believed to convey an ongoing competitive advantage in the provision of services. As such, it represents an interesting construct for business improvement and one that executives should use to improve their operations. It also offers another way to value information technology applications, since they are prime sources of service inventory storage and efficiency. The ability to leverage customization is particularly interesting since that now represents a sizeable portion of consumer demand. The concept of service inventories already has me thinking about ways to the power of advance work. Let me know how this concept impacts your view of service delivery.