

## 1.6: Producing Goods and Services

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The production of goods and the performance of services are both part of operations management. There are however some key differences in the two.

In the production of goods the result is the creation of a tangible product such as a vehicle, an article of clothing, a cell phone or a shovel. A service on the other hand is an intangible such as a car repair, a haircut, or a medical treatment. There are some key differences in managing these two types of businesses.

1. Services have a much higher amount of customer contact. The customer will generally come to the service provider for the service to take place, or the service provider will come to the customer.
    - In manufacturing the customer rarely comes to our facility. The purchase generally takes place at a different location than the one where the manufacturing occurred. That simplifies matters quite a bit.
  2. Services have a higher amount of labour content than manufacturing organizations.
  3. Services have a much higher degree of input variability than do manufacturing companies. Each customer often arrives to a service with a unique set of circumstances that may require extra time and skills on the part of the service provider.
  4. Measurement of quality is much more straight-forward in a manufacturing setting. There are many technical ways of deciding if manufactured goods have the required quality level.
    - In services many factors will affect the customers impression of the quality of the service received.
  5. Measurement of productivity is very straight-forward in a manufacturing operation due to high degree of standardization in the inputs and outputs used.
    - In services it is more difficult to measure productivity.
  6. Inventory can be stored in the case of a manufacturing organization. If goods are not sold in the intended week, then they can be put into storage to be sold at a later date.
    - In services, once the time period has passed, the opportunity to use that capacity is gone.
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