

# Product Service Equivalence - A Philosophical Deconstruction

Abrish Giftson

Student, Christ Academy Institute for Advanced Studies, Bengaluru, Karnataka, India

## ABSTRACT

This paper equilibrates the unsettled relationship between products & services by employing meta-concepts to extend the literature on business philosophy, product/service management & entrepreneurship. Products & services are two different forms of the same thing, it ultimately comes down to merchantable value. One could tabulate differences between the same things by placing them at opposite ends in any spectrum of measure, but this isn't a scholarly method to comparatively study products & services. Therefore, this paper provides a framework by introducing the concept of factorial division of products & services to conceptualize a series of ideas concerning products, services, & the gap in between them which allows for the interdependencies & interchangeability. This concept will be further exercised to discuss & derive three postulates which will be used for studying the limitation of the product-service continuum & for comprehending the new system of "Product-Service Notation". With the addition of a new variable that is essential for this notational system, called "Intelligence Threshold Requirement," the infinitely wide concepts of intelligence become manageable without much effort. And to make the abstractions reasonably easy the author will be citing many examples, illustrations & deductive arguments of speculative nature.

**KEYWORDS:** Reductive Analysis, Business Philosophy, Products & Services Systems, Business Education, Theory of Concepts

## 1. Highlights:

- Throughout history, scholars & academicians puzzled to fit together the theory of products & services.
- There is no definable definition that separates a product from a service.
- A new method of classification that captures anything & everything into a single spectrum is required.
- Therefore, the author establishes new fundamentals & sources to cascade theories & ideas on the nature of products & services.

## 2. Introduction:

Let's assume products & services are the same, which implies they both share the same composition. Such a composition results in a dual relationship of tangibility & intangibility, where tangibility accounts for the product's characteristics and intangibility accounts for the service's characteristics. When the ratio between tangibility & intangibility is imbalanced, one gets pronounced as a product or a service based on the exceeding ingredient. Every

product has a service factor (SF) and likewise, every service has a product factor (PF). This dualism is what creates value for the consumers. Thus, there is no such thing as an absolute product (SF=0) or an absolute service (PF=0) in a commercial civilization. The service factor holds for the employment of a product in all potential services. I.e. What all services, say, a product X can be used for? (A product can generate/contribute to numerous services which are nothing less than business opportunities). Example: Alcohol can be utilized by a beautician (cosmetics), pump attendant (fueling), brewer (beer), etc. for providing their respective services. The product factor holds for the generation of service using all potential products. I.e. What all products can be used to carry out, say, a service X? (A service can be issued using plenty of products; identification & proper utilization of those would be advantageous). Example: Scissors, brushes, shavers, etc. can be equipped by a barber to provide quality service.

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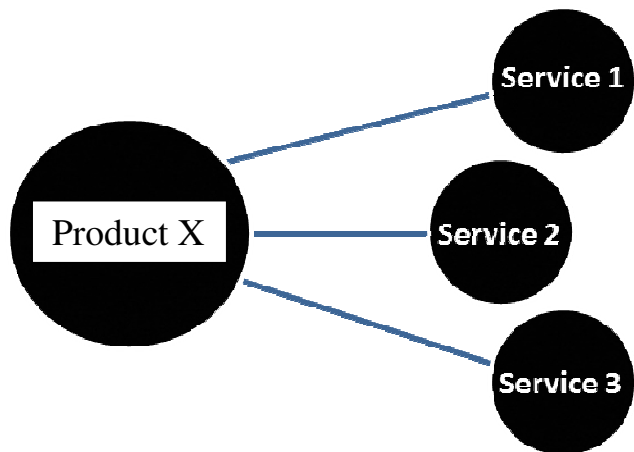


Figure 1. Service factors of “Product X”

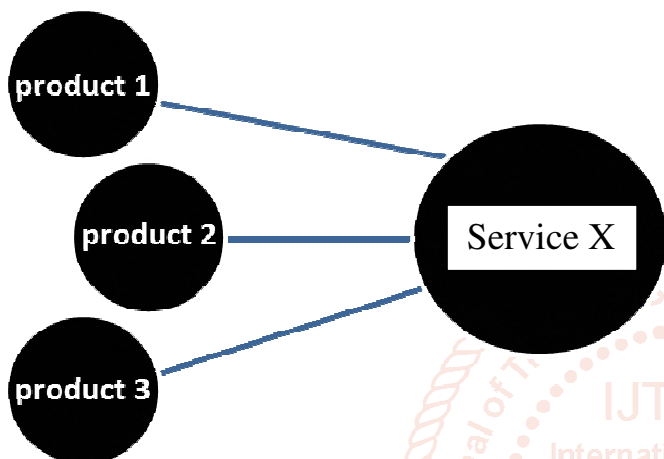


Figure 2. Product factors of “Service X”

have to rely on just one product whose common properties partially fulfill all three needs. Instead, the market has evolved to provide three different products that fundamentally aim to administer each of those specific needs. This is to say, the service attributes of a product are no longer distributed among different service factors instead they are concentrated into a single service factor to maximize individual product utility.

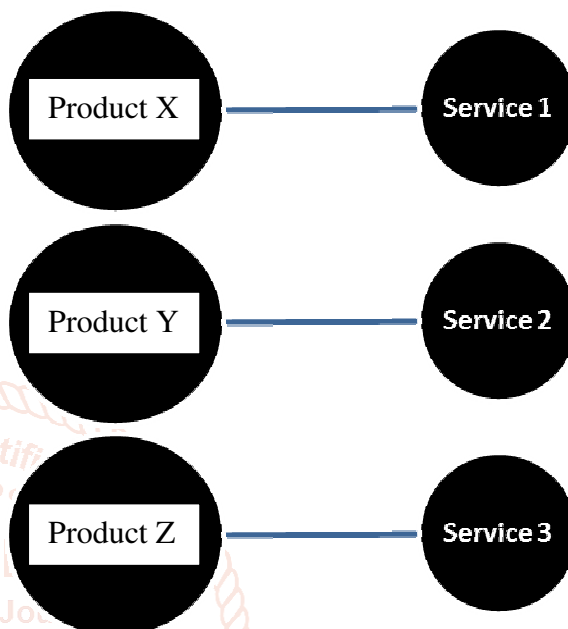


Figure 3. The corresponding service factor of “Product X, Y & Z”

**Boiling down the above to simple prepositions;**

Premise 1: The two distinct factors (SF & PF) are inextricably linked to their corresponding customer needs (products & services).

Premise 2: Severing these factors to render a product without any service factor or service without any product factor will destroy the product/service altogether, as dualism is responsible for creating value.

Which is to say;

*Postulate 1: Products & services are inseparable.*

But in this fancy & factual world, these factors are condensed considerably to produce products for very specific purposes (narrowed SF) and to create services with very specific requirements (narrowed PF). To satisfy say, three different needs we no longer

What makes something sellable? When a product has sufficient SF/SFs (applications or usages) or when a service has sufficient PF/PFs (methods of service generation or value dischargeable procedures) it becomes a good nominee for trade. As these corresponding factors which qualify the quality of products & services depreciate with time, it is essential to repair & maintain them. For instance, let’s say a business of luxury car services requires 3 crucial PFs — quality fuel, high-performance tires & premium seats. Over time the seats wear out & the business is no longer classifiable under the luxury cab services. But one could carry on a regular business of transportation with just 2 PFs — fuel & tires. If one of these two PFs were to be absent it is only then the business is no longer functional.

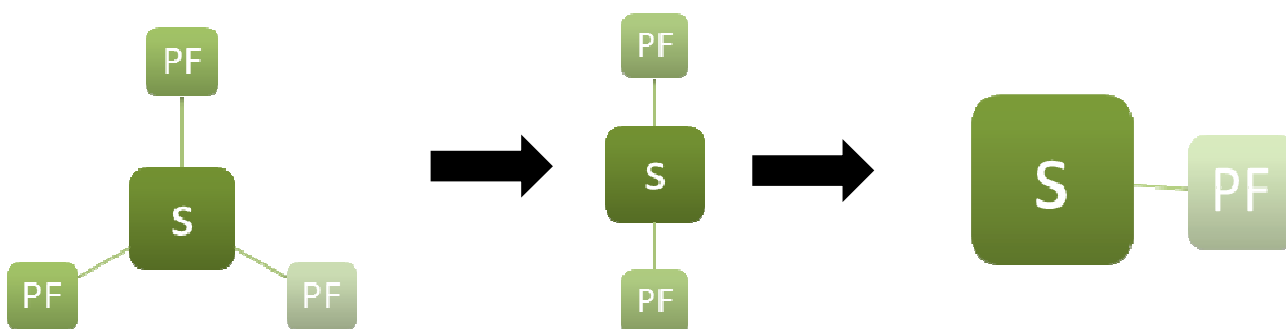


Figure 4 Depreciation of product factors of a service

### 3. Objectives:

- To introduce the concept of factorial division of products & services i.e. the demonstrability of a product or a service in terms of their corresponding factors (SFs/PFs).
- To understand how the dualism of products & services creates value.
- To create a notational system that accounts for anything & everything within the realm of commercial operations.

### 4. Literature Review:

There has never been a way to explicitly differentiate products & services since the early eighteenth century. Scholars so far have only been counting the differences between products & services in a futile attempt to identify the concealed principles that govern their properties & behavior. But unfortunately, there exists no such principles or logical foundation upon which those principles can be built. So, therefore in this paper, the author will be laying down the fundamentals while considering the contributions made by other academics. Glenn Parry, Linda Newnes & Xiaoxi Huang (2011) cite the classification of service consisting of four features; Intangibility, Heterogeneity, Inseparability & Perishability, called the IHIP characteristics, using which a product can be separated from service. But, they also underline the exceptions to the above classification & discuss its ineffectiveness when it comes to differentiating products & services. Concerning the perishable nature of services, Jean Gadrey (2000) argued that services were not necessarily perishable. He illustrated his point using the example of a servant whose task is to tidy the premises, their output of their efforts does not vanish when the work is done. Vargo & Lusch (2004, 2006, 2008) argued that all products & services only realize their value through their use. All products & services exist to provide service to a customer, hence everything is a service. Another widely regarded concept to classify every known product & service into a single spectrum using tangibility as a differentiator is the product-service continuum, which lines up pure goods on one side of the spectrum to pure services on the other side & all other overlapping goods & services fall in between. It is believed that there are very few pure goods and pure services. John Rathmell (1966) suggested that the benefit or utility arising from legal counsel represented a pure service and took a sculpture as an example of a pure good as no action is performed with it. Here, it may be questioned that the aesthetic value offered by the sculpture can be considered intangible. Hill (1999) identifies music, a book, or a game as intangible

products that are recorded & stored on media such as paper or disk though they were generated by music composers, authors & game developers. He continues to argue that in their saleable form these intangible products have the salient economic characteristics of goods & little in common with services. Pine & Gilmore (1998) proposed the notion of service as experience. They suggested, "Experiences occur whenever a company intentionally uses services as the stage and goods as props to engage an individual".

### 5. Understanding Parallels:

'Tangible' is the word people reach for to characterize the materialistic nature of products while disregarding its service factor. In contrast, the word 'intangible' speaks for services while ignoring the product factor. But now as we know, a product cannot exist in an absolute condition of tangibility and a service cannot present itself in an absolute condition of intangibility. Therefore the conclusion arrived is;

*Postulate 2: Every product and service is a mix of both tangibility and intangibility.*

The value present within a composition of a product or a service, which is made of tangibility & intangibility is constant, but these two forms of value are interdependent and interchangeable. The untouchable nature of services is the result of tangibility overpowered by intangibility, therefore service is expressed as a process or a result of an operation involving products. And it's not hard to tell such processes/operations involve the utilization of some tangible products in a series of steps whose consequence is the corresponding service. But utilization is an effect of causation involving a causal being that embodies human intelligence or artificial intelligence (ordinarily involves people thus they are counted among the marketing mix). I think it's safe to say that;

*Postulate 3: Services are the effect of working products, and products are the effect of resting services.*

Products are frozen services because they carry with them a potential to serve, when left unemployed they manifest themselves into tangible objects, which attributes to their true product-like property. Example: A car when purchased is a product used for transportation. But when this function of transportation is discerned to be a business opportunity, then one begins cab services; where one uses the same product to produce potential services. Every product is a potential service, and every service is a potential product. Comprehending that customer needs are fundamentally the variation of the same thing deepens the applicability of productization &

servitization, which are essentially the two faces of the same coin. Productization is the process of conversion of a service into a product for worthwhile reasons. This occurs when a service becomes too simple to handle that a person need not rely on external intelligence to undertake/perform something, instead the product is designed in a user-friendly along with easy-to-handle mechanisms so that one could serve oneself. Servitization aims to convert a product into service for reasonable reasons. This occurs when one requires external assistance to carry out something that one need not try to satisfy oneself by using a product as a prosthetic tool instead, allowing the experts to fulfill what one desires for. Note that the inability of a product to discharge services or the users' lack of understanding of how to use a product, demands servitization. This ability to transfigure innumerable products to create services; and the feasibility of decomposing any service into merchantable/rentable products — is an entrepreneur's Midas touch!

## 6. Redefining Definitions:

It is important to express clarity before we understand the meta-concepts of PF & SF. On that account, note that the abstract definition of a product is 'Anything made/prepared to hold/add value' (something holds value or is capable of adding value if & only if it's  $SF \neq 0$ , but it is the requirement to be made /prepared that differentiates a product from a resource. All resources can be captured into products with technological advancements — ever heard of the Dyson Sphere?), by this definition, human beings are products as well. For instance; Organ and tissue transplantation involves treating parts of human beings as a product (Heart, lungs, kidney, liver, hand, skin, blood, bone, etc.). In the case of human trafficking, the entire human being is after all a mere product traded in illegal markets. Now the abstract definition of a service is 'The employment of intelligence to aid/assist to produce/add value' (something is employable if & only if it's  $PF \neq 0$ ). The extreme service-end of the spectrum in the product-service continuum asserts that people could dispense services without any products. Examples: Psychotherapy/counseling, hand laboring, etc. This imperative of serving with zero PF omits the people-aspect of the service who themselves are the product employed to conduct services. Hence, services can be only produced when  $PF \neq 0$ . Now to the extreme product-end of the spectrum which holds all the products devoid of service attributes. Consider the following argument; the utilization of a product is an intellectual activity involving a purpose, therefore one has to employ intelligence to be able to make use of a product. And any process that calls for intelligence to

aid/assist to product/add value is called a service. Therefore if something is to be called a product it cannot be deprived of its service attributes. Let's reconsider the statement from the beginning for a more refined interpretation— "There is no such thing as an absolute product ( $SF=0$ ) or an absolute service ( $PF=0$ ) in a commercial civilization". What does it mean when a product holds no service factor? This means there exists a valuable article, whose value cannot be utilized or employed in any services; Therefore be a product with infinite value, it is unimportant if it holds no utility— This statement is also comical as it contradicts itself because a product that is presumed to contain value must be useful & likewise only if products are useful they are said to hold value. Therefore, a product with no SF is a mere waste. Now similarly what is a service with no product factor? Service is the result of liberating the potential that exists within a product or a bunch of products that have captured the usefulness of the service. The practicality of every service ever devised has been successfully captured to some degree using some products so that it can be utilized when necessary. So a service whose functionality cannot be captured because of the lack of product factors is a process devoid of any value. This resolute approach to think of products & services allows one to dissolve the artificial differences on the grounds of tangibility, homogeneity, inseparability, perishability, returnability, quantifiability, etc. that are conceived to compare and study the aforementioned.

What is a composition? An imaginary container that contains 'value' which characterizes a product (P) along with its service factors or a service (S) along with its product factors. Let's say a commercially healthy composition has a value of  $\mu$  units such that a product along with its SF or service along with its PF adds to  $\mu$  units ( $SF=PF=\mu/2$ ,  $P=S=\mu/2$ ,  $P+SF=S+PF=\mu$ ). Then to think of a defective product that has an inadequate composition with not enough SF consider the following equation ( $SF < \mu/2$ ,  $SF+P < \mu$ ), and similarly think of a substandard service that has an inadequate composition lacking the required PF with the help of the following equation ( $PF < \mu/2$ ,  $PF+S < \mu$ ). Under this mode of evaluation to identify the problems for a product being defective, we find ourselves with this new method of analysis where one shouldn't be looking for cues in the product because let's say there is an imperfectly put together product with a part missing, yet it was able to generate all the same services like a perfect product of its kind. Then the missing part cannot be counted as the reason for the product being defective instead, the missing part shows the redundancy of the overall product. Therefore, a finer method to diagnose the defects of a

product without relying on the ocular indicators would be to look at the services associated with the product, i.e. the service factors — Is the product capable of performing all of the services it is meant to? Test the product to verify the utility of each service factor & trace back the component responsible for generating faulty service if any. Similarly, to identify the drawbacks of a poor-quality service, one should diagnose the products involved in generating that service instead of critiquing the skillfulness of the person carrying out the service. Are all the product factors effectively utilized to carry out that service? Is there any course for replacing a product factor with a better one? As an illustration, think of two laborers namely “A” & “B”. Both of them are assigned a task & given the manual tools necessary for the job. Laborer “A” being a skilled worker can carry out the service without any complaints. But laborer “B” is unable to provide the expected standard service due to his inexperience. So to effectuate better results from “B” one should assess the product factors required for him to perform that service and substitute his absence of intelligence/knowledge by equipping him with more and better tools that will enable him to overcome that which doesn't allow him to perform his fullest (the convenience of replacing “B” & the convenience for providing better PFs to “B” are to be accounted). But if “A” & “B” were to be surgeons or anyone else whose job requires a high level of experience and cautiousness which are beyond the replaceability of the products, then only “A” shall be allowed to perform. This happens when the product factors are unable to replace the requirement of skill/intelligence, therefore no matter the tool or equipment handed over to “B” will be able to bring about the expected results.

**7. Product-Service Notation:**

In an attempt to create an interesting & more fulfilling concept to classify every product, service, and the effect of product & service into a single spectrum that also allows for associating other product or service characteristics as per the notational preferences of a person, I would like to introduce the system of “Product-Service Notation” (PSN). Now before we go any further it is essential to grasp the idea of a variable used in this system called ITR, which stands for Intelligence Threshold Requirement, which is a measure of the level of intelligence required for using a product/service. As we have seen, intelligence is an integral part of any activity involving products & services and the difference in intelligence requirements across different activities allows us to treat it as a variable. Here, the term “intelligence” is approximated to simply mean “That

which is required by a human to employ/utilize a product or service”.

The following are the rules to read product or service notations:

1. The notation involves variables in the order of P/S – ITR – SF/PF. Where P & PF are markers of tangibility and S & SF are markers of intangibility.
2. Based on the ITR a product, service & the effect of a product or service can be classified into levels 0, 1 & 2. Where level 0 requires no intelligence to sustain the utility of a product or service, level 1 requires the user’s intelligence & level 2 requires external intelligence in addition to the user’s intelligence or only the external intelligence to benefit from a product or service. All the levels of the ITR fulfill the purpose of a product or service. Here, the term “user” refers to the one who uses a product or service & the term “external” refers to another individual or a body of intelligence.
3. Every P is followed by SF with a number in between them indicating the ITR. Similarly, every S is followed by PF with an ITR number in between them. For example, P1SF means a product with ITR = 1.
4. The number that precedes P/S or the number that succeeds SF/PF can be interpreted as per an individual’s framework of definition to associate any product or service characteristics as intended. For instance, let’s say the number that precedes P or succeeds PF denotes the number of products required for employing a product or service. And the number that precedes S or succeeds SF denotes the multiutility of a service or product. Using this given framework the following notation “2P1SF2” represents a product that requires two of its kind to perform its dual function, for example, a pair of multisport shoes. But for the sake of maintaining simplicity in this paper let us not involve any such additional attributes of a product or service.
5. The following classification is made using ITR:

S2PF	Service
S1PF	Self-service
P2SF	Collaborative product
P1SF	Product
S0PF	Intangible effect of a product/service
POSF	Tangible effect of a product/service

**Table 1. ITR classification of products & services**

Consider the two following illustrations to further the understanding of the above notations:

- You try to paint the walls of your house using painting tools & equipment (P1SF) or you call the professionals to complete the task (S2PF). Either way, the paint ends up on the surface of the walls as desired. Here, the paint on the wall is the tangible effect of the product/service (P0SF) & the paint continues to stay on the wall creating an aesthetic appearance even in the absence of any intelligence. Other examples of P0SF include — floor tiles, goods/inventory, land, etc.
- Two people ride a tandem (P2SF) or call a cab (S2PF) to drop them off at their destination. Here the place arrived is the intangible effect of the product/service (S0PF) & they continue to remain in their new location even in the absence of any process or product involving intelligence. S0PF includes after-effects of services such as— satisfaction, gaining knowledge, goodwill, etc.

### 8. Conclusion:

Although postulates 1 & 2 have been around for a long time, they have never been examined or discussed with any logically cascading concepts that truly acknowledge the notional beauty behind them. The Aristotelian ideas of actuality & potentiality and Cartesian dualism theory contributed to creating the concept of factorial division of products & services. With this concept, it was possible to reiterate the postulates with much clarity & also extend the understanding of the subject matter to add a third postulate which states, “Services are the effect of working products, and products are the effect of resting services”. The abstract provided behind products & services facilitate restructuring the extreme ends of the product-service continuum &

also establishes the compositional concept of products & services. And finally, the system of PSN employs all of the previously introduced concepts & terminologies along with the ITR variable to define & classify every product & service into a single spectrum based on intelligence. The system itself is open for interpretation because any individual could define what the numbers that precede P/S or the numbers that succeed SF/PF denote as per their convenience or requirement. This pioneering system has its limitations in being ill-defined without duly set regulations but it is better when the system is unrestricted because there are innumerable attributes associated with products & services, and an individual must have the liberty to exploit them all for his study or analysis.

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