



25th world gas conference  
"Gas: Sustaining Future Global Growth"

# Directions of Convergence Service of the Natural Gas Industry

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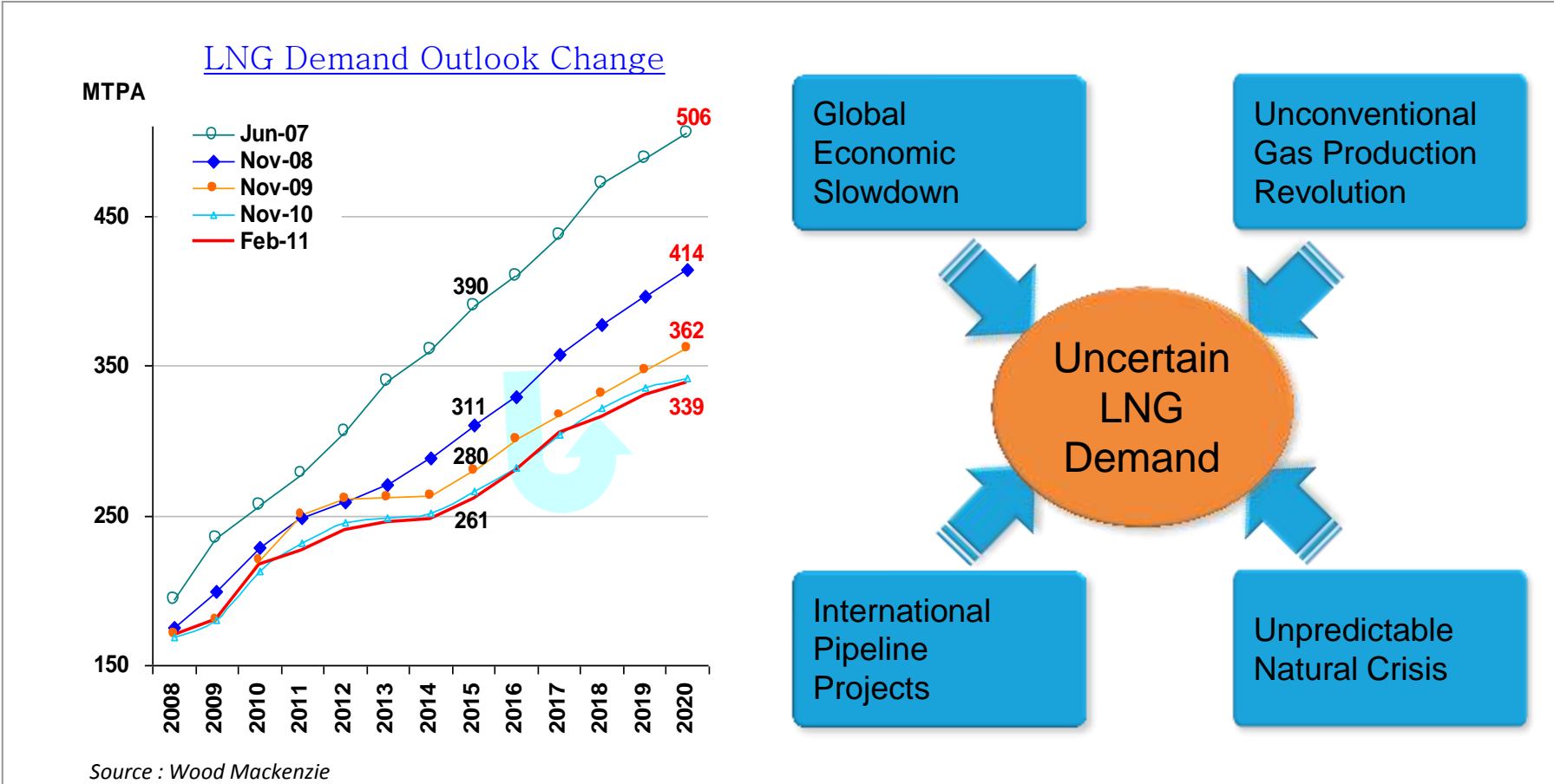


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- Increasing Uncertainty in Natural Gas Industry
  - Demand Side vs. Supply Side
- Is It Service Industry or Manufacturing?
- Background of Service Industries
- Two major approaches to the Service Package
  - Servitization vs. Tangibilization
- Convergence Service Directions
- Conclusion

# Uncertainty of LNG Demand

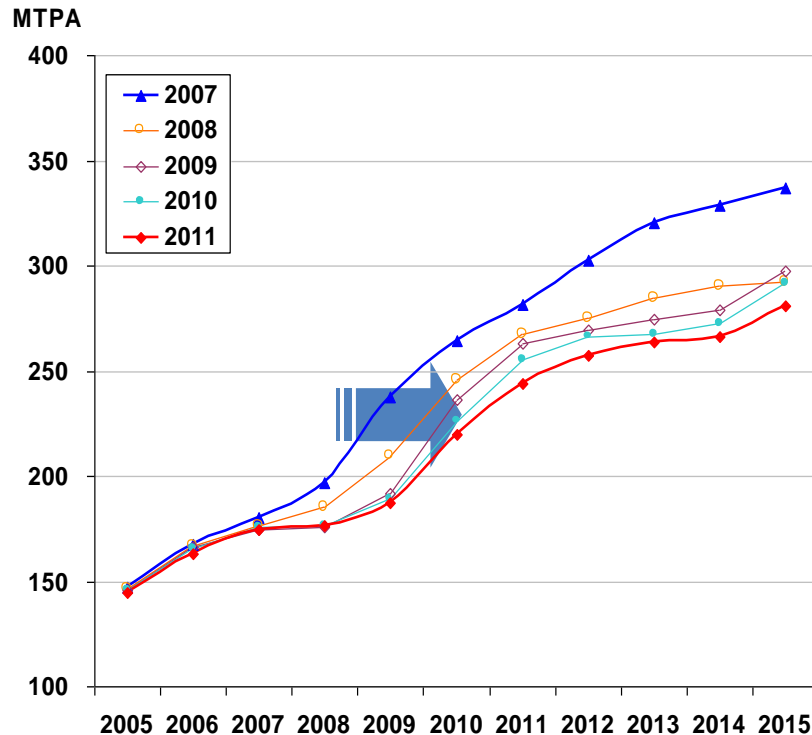
**Global LNG demand outlook changes for economic recession, unconventional gas production increase and etc.**



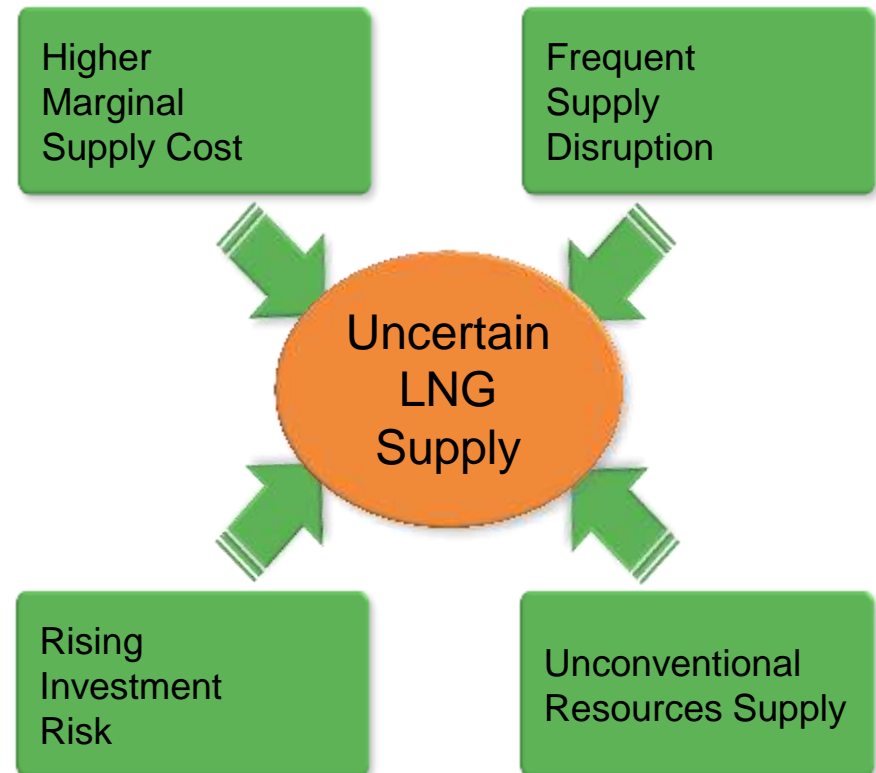
# Uncertainty of LNG Supply

Global LNG supply outlook in mid & long term changes for cost and risk increase; unconventional supply and etc.

LNG Supply Outlook Change



Source : Wood Mackenzie



# Service or Manufacturing Industry?

**Value chains of natural gas industry has wide range across manufacturing and service according to their business context and characteristics**

Service?

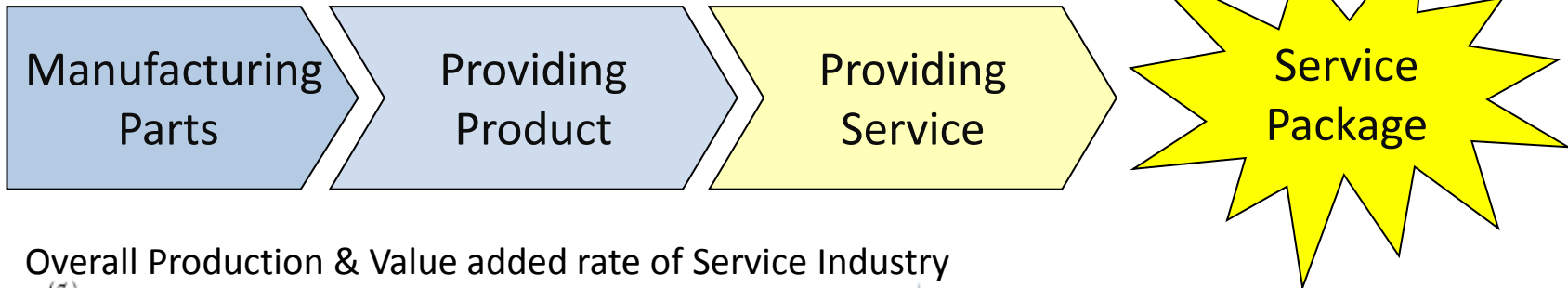
Manufacturing?



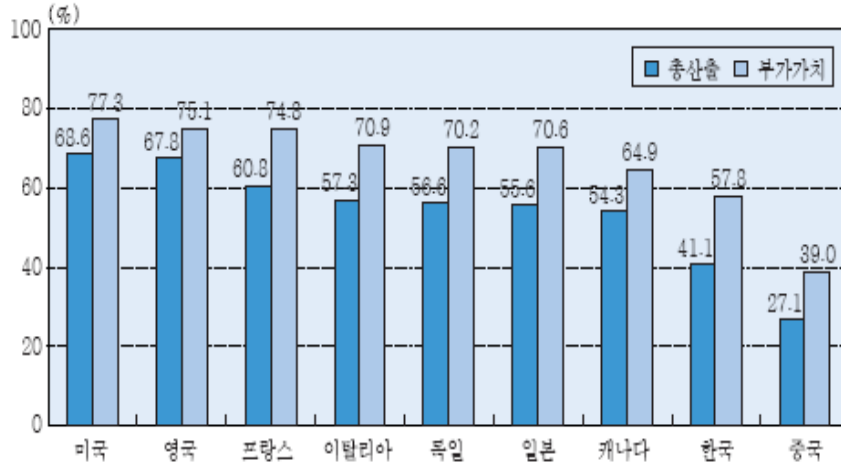
**Not Industry, but business!**

# Importance of Service Industries

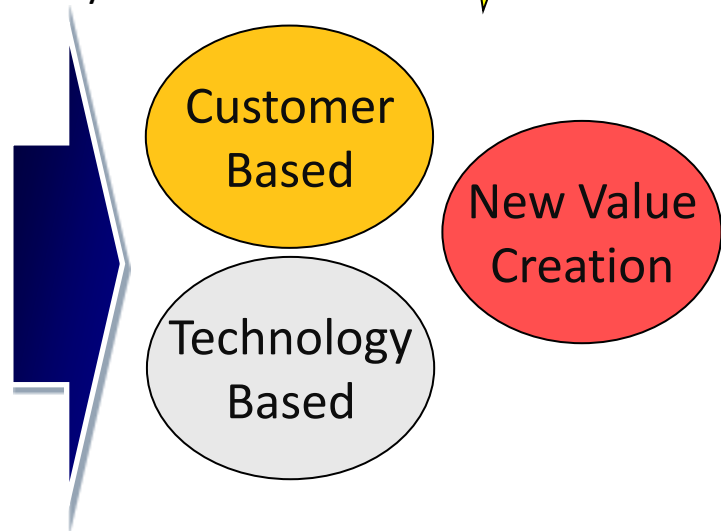
**High potential of service industry for development and improvement : perspective change to value creation**



Overall Production & Value added rate of Service Industry



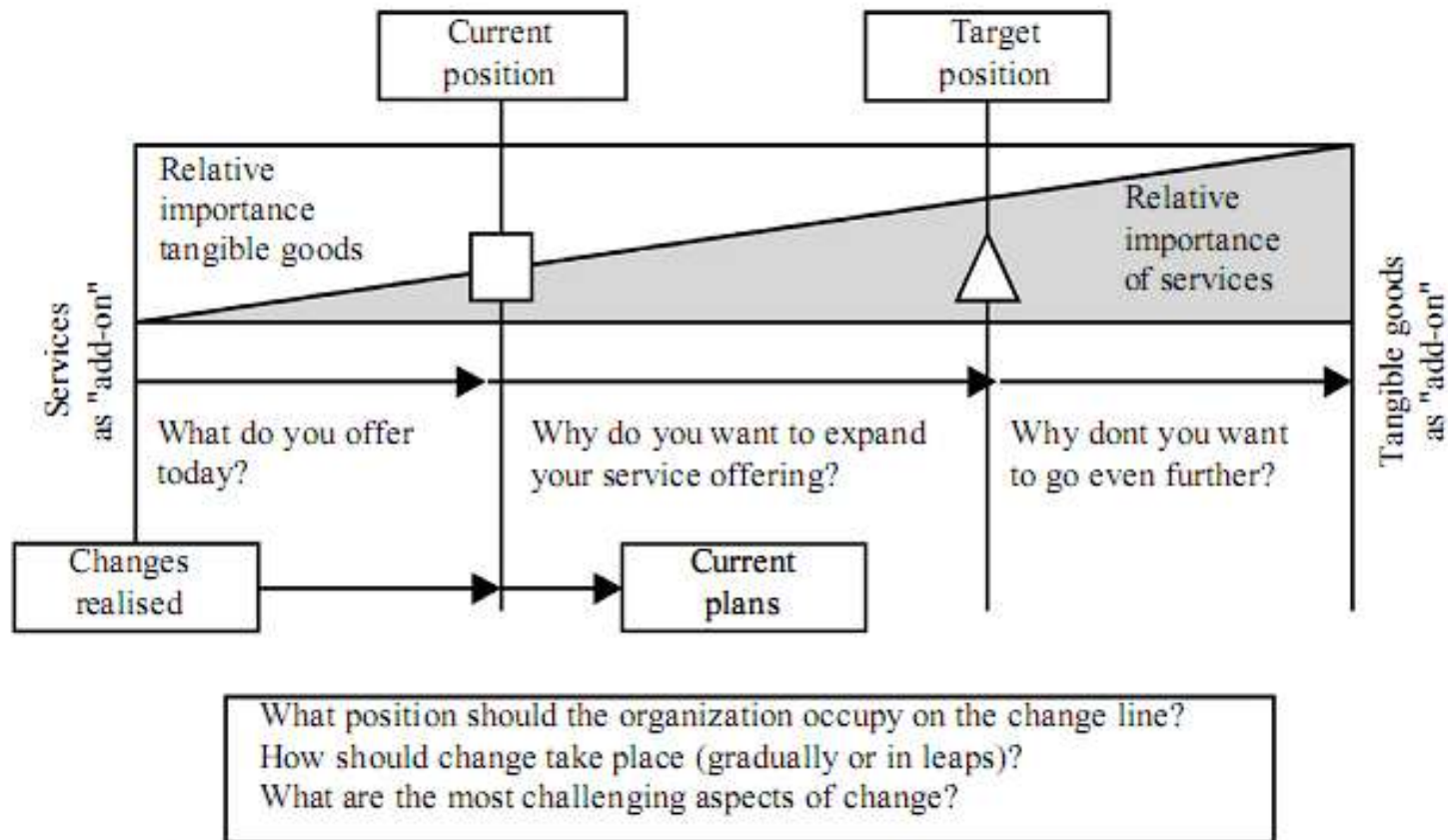
자료 : OECD, The OECD Input-Output Database : 2009 Edition, 2009. 2.





# Direction of Manufacturing: Servitization

Service industries are regarded to have relatively 'more value-added'



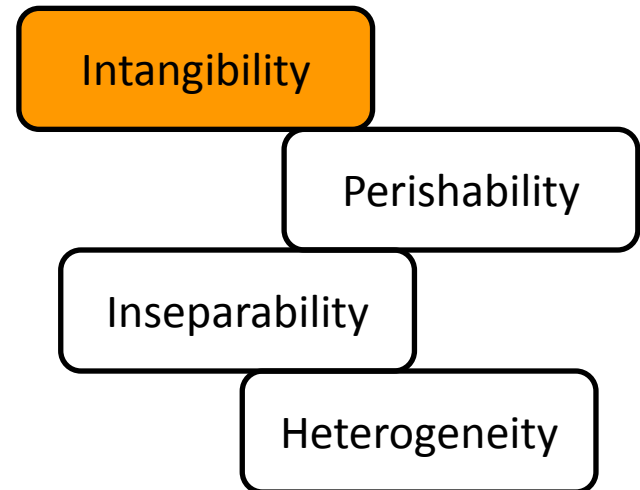
Source: Oliva & Kallenberg (2003)

# Direction of Intangible Service: Tangibilization

**Attempts to tangibilize operational and marketing activities conducted by service companies during the service encounter process to decrease customers' sense of intangibility after the encounter**

## Basic difference between Service and product

- Customers do not obtain the service possession
- Service provides intangible performance
- Customers are likely to involve service processes
- Other customers can be a part of the service
- High variance in input or output
- Difficulty in assessing service quality
- No inventory or stocks in general
- Components with time have more consideration
- Using various path systems for delivery





# Two Major Views of Tangibilization

## Operation-based & Marketing-based Tangibilization

### OBT

(Operation-based Tangibilization)

Appearance of Physical Facilities,  
Equipment, Personnel &  
Communication Materials

Physical Performance & Environment,  
and their interactive effects

Encounter Performance  
Physical Representation  
Process visibility

### MBT

(Marketing-based Tangibilization)

Information Frequency  
Word-of-Mouth Effect  
Substantialization  
Factualisation  
Quantitation  
Ranking

# Types of Tangibility in Services

## Physical & Mental Tangibility

### Physical

Tangible elements  
that can be  
described precisely

and that are subject to  
physical examination  
or photographic reproduction  
or quantitative  
measure

### Mental

dynamic, subjective,  
and ephemeral  
And

they cannot be touched, tried on for size,  
or displayed on a shelf  
and they are exceedingly  
difficult to quantify

source: Miller and Foust, 2003

# To Attain & Sustain Strategic Advantages

From 'Single Energy Supply' to 'Total Energy Service Package' business

Servitization



Tangibilization

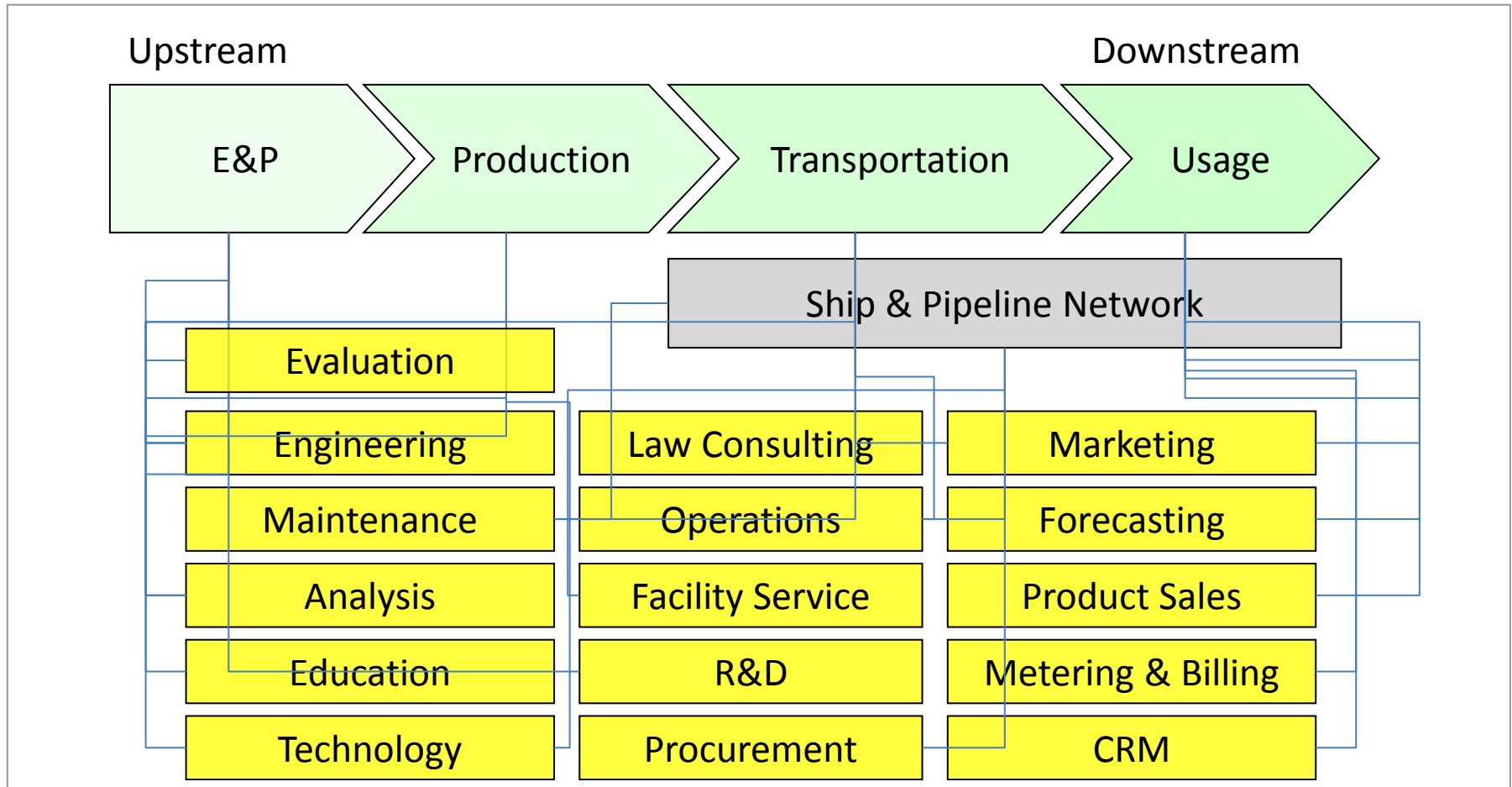


Convergence  
Service  
Package



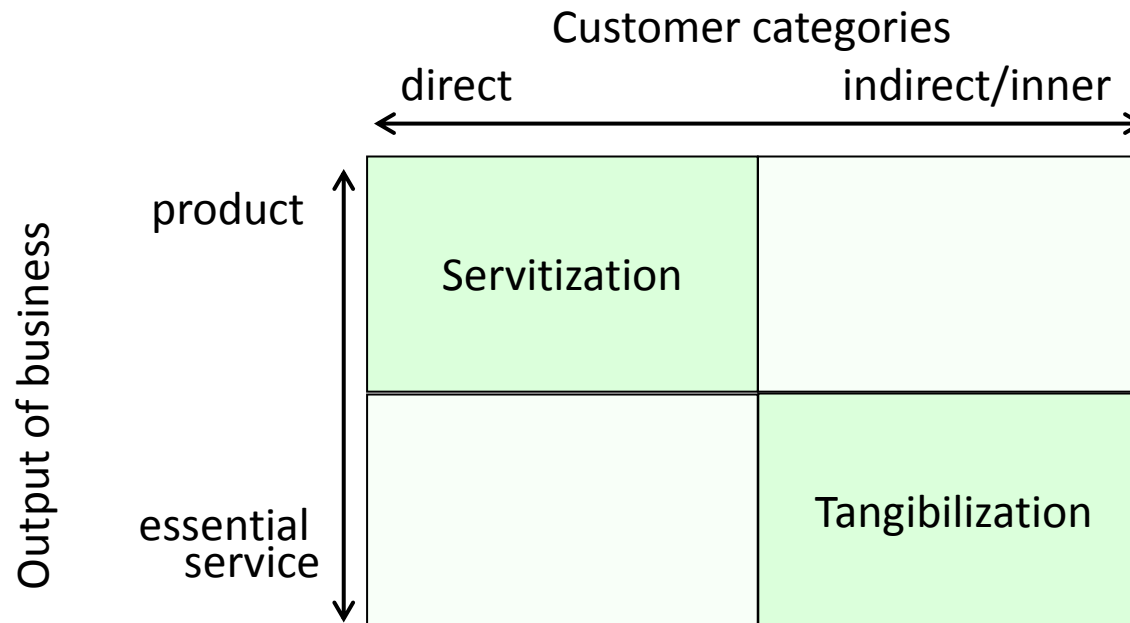
# Convergence Service Direction of Natural Gas Industry

Different directions need to be considered for each business in a company



# A Framework for directions of convergence service

The servitization direction fits in the business that is related with direct customers and of which output is closer a pure product  
The tangibilization direction fits in the business that is related with indirect or inner customers and of which output is closer a pure service



# Conclusion

- Servitization and tangibilization can be the directions for the convergence service of natural gas businesses to solve the given problems
- Common ground of the directions:
  - Customer-oriented service
  - Business context-oriented consideration
- Corporate strategy should be the anchor
  - Each business strategy needs to be aligned with the corporate strategy
  - Customer and output of business can be useful criteria



Thank you for the listen.

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