

Chapter 1: New Perspectives on Marketing in the Service Economy



What Are Services?

Three lists

1. socks
- couch
- casual clothing
- business suit
- condo
- dishwasher
- tax consultant
- flu shot
- fast food
- life insurance
- poster framing
- house cleaner
- plumbing repairs
- dry cleaning
15. day care



SERVICES MARKETING

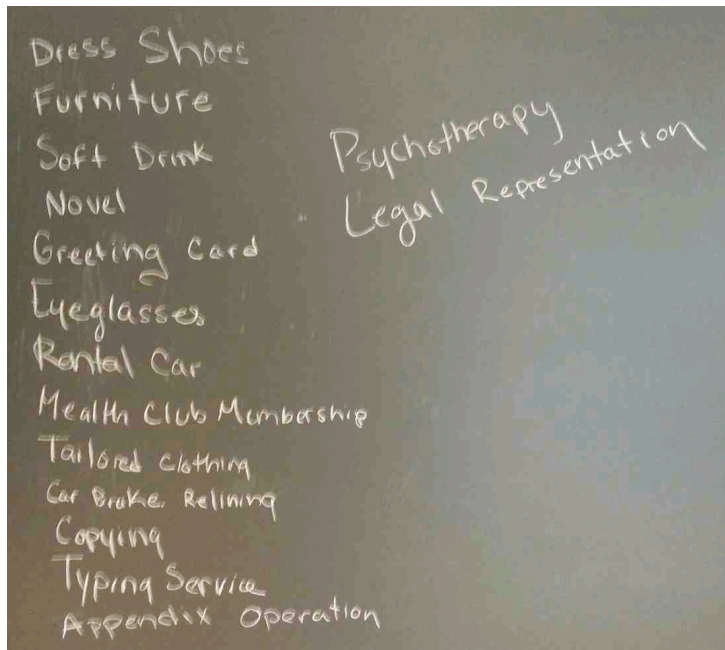
Three lists

1. Laundry Detergent
- Blue Jeans
- Running Shoes
- Ice cream cone
- Houseplant
- "Lean Cuisine" Dinner
- Jewelry
- Car
- Meal at nice restaurant
- Vacation Package
- Hotel Room
- TV Repair
- Golf Lessons
- Dental Examination
15. Haircut

9. Vacation package
10. Meal at nice restaurant
11. Hotel Room
12. Golf Lessons
13. Haircut
14. TV Repair
15. Dental examination
1. Houseplant
2. Laundry Detergent
3. Blue Jeans
4. Running shoes
5. Ice cream cone
6. "Lean Cuisine" Dinner
7. Jewelry
8. Car

SERVICES MARKETING

Three lists



- ① Soft drink
- ② greeting card
- ③ novel
- ④ furniture
- ⑤ dress shoes
- ⑥ eyeglasses
- ⑦ rental car
- ⑧ health club membership
- ⑨ car brake relining
- ⑩ typing
- ⑪ xeroxing
- ⑫ tailored clothing
- ⑬ legal representation
- ⑭ psychotherapy
- ⑮ appendix surgery

Defining Services by the AMA

SERVICES MARKETING

1. Products, such as a bank loan or home security, that are **intangible** or at least substantially so. If totally intangible, they are exchanged directly from producer to user, **cannot be transported** or stored, and are almost instantly **perishable**. Service products are often **difficult to identify**, because they come into existence at the **same time they are bought and consumed**. They comprise intangible elements that are **inseparable**; they usually involve **customer participation** in some important way; they cannot be sold in the sense of **ownership transfer**; and they have no title. Today, however, most products are partly tangible and partly intangible, and the dominant form is used to classify them as either goods or services (all are products). These common, hybrid forms, whatever they are called, may or may not have the attributes just given for totally intangible services.
2. Services, as a term, is also used to describe activities performed by sellers and others that **accompany the sale of a product** and aid in its exchange or its utilization (e.g., shoe fitting, financing, an 800 number). Such services are either presale or post-sale and supplement the product, not comprise it. If performed during sale, they are considered to be intangible parts of the product.

Service Can Mean all of These

SERVICES MARKETING

UMass Boston College of Management
Boston's Public Business School

- **Service as a product**

- **Customer service**



- **Services as value add for goods**



- **Service embedded in a tangible product**



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Service Products versus Customer Service and After-Sales Service

SERVICES MARKETING

- A firm's market offerings are divided into **core product** elements and **supplementary** service elements
- Is everyone in service? Need to distinguish between:
 - Marketing of services
 - Marketing goods through added-value service
- Good service **increases** the **value** of a core physical good
- **After-sales** service is as important as **pre-sales** service for many physical goods
- Manufacturing firms are reformulating and enhancing existing **added-value services** to market them as stand-alone core products

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Examples of Goods Companies that are Expanding into Services

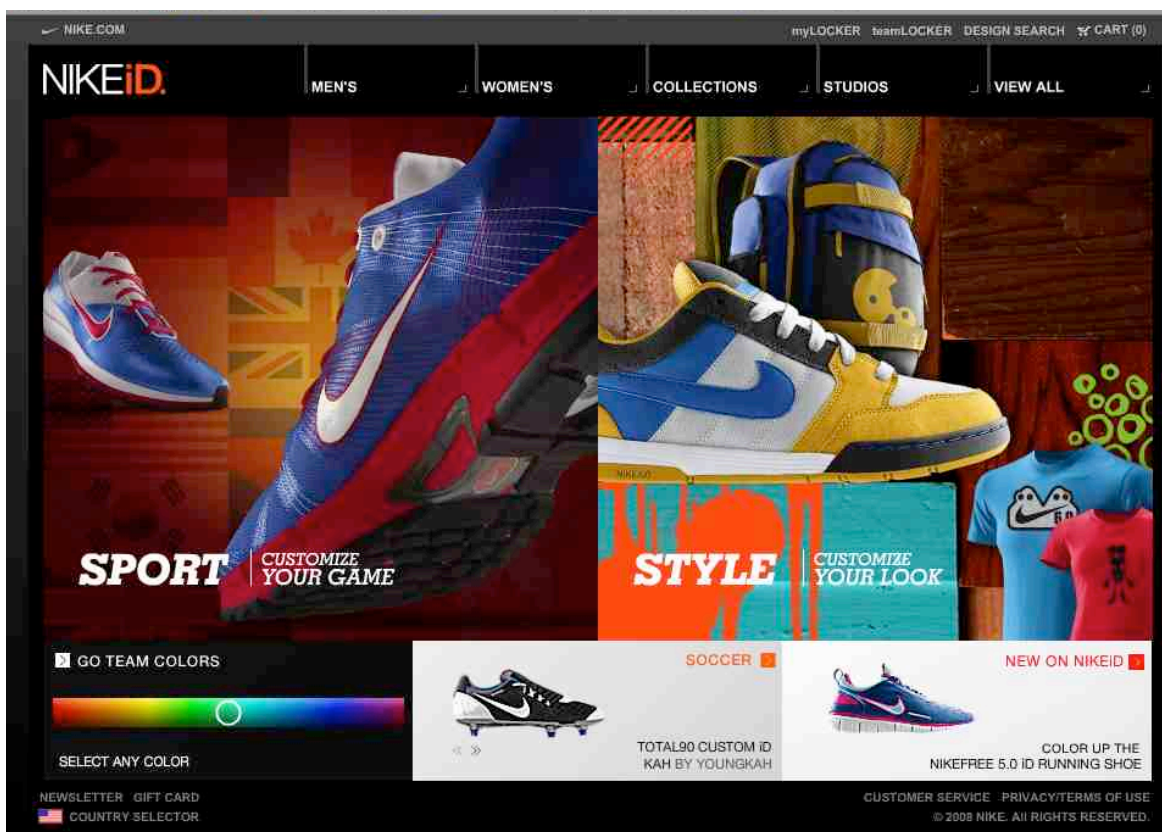
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What Are Services? (1)



■ The historical view

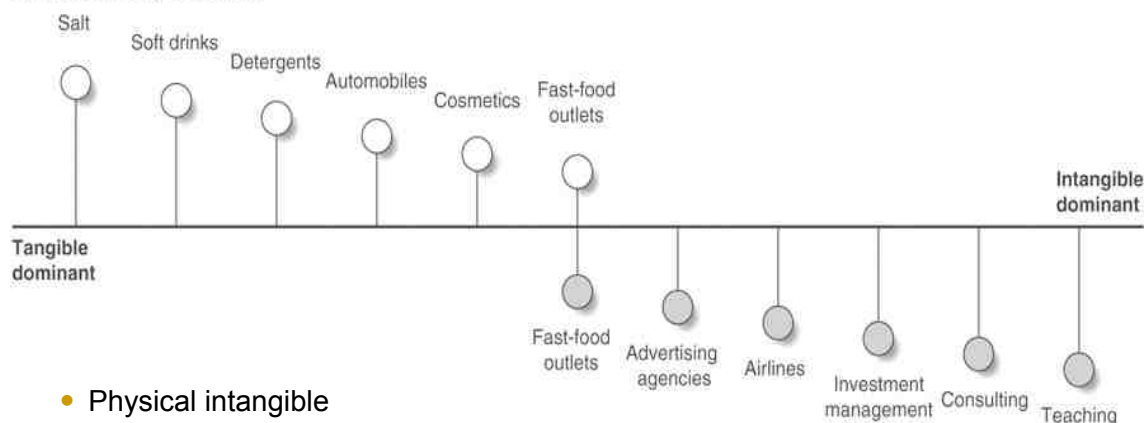
- Goes back over 200 years to Adam Smith and Jean-Baptiste Say
- Different from goods because they are **perishable** (Smith 1776)
- Consumption **cannot be separated** from production, services are **intangible** (Say 1803)

Tangibility Spectrum



FIGURE 1.2 Tangibility Spectrum

Source: G. Lynn Shostack, "Breaking Free from Product Marketing," *Journal of Marketing* 41 (April 1977), pp. 73–80. Reprinted with permission of the American Marketing Association.



- Physical intangible
- General/abstract versus specific
- Mental intangibility

Services Pose Distinctive Marketing Challenges

SERVICES MARKETING

- Marketing management tasks in the service sector differ from those in the manufacturing sector
- The eight common differences are:
 1. Most service products cannot be inventoried
 2. Intangible elements usually dominate value creation
 3. Services are often difficult to visualize and understand
 4. Customers may be involved in co-production
 5. People may be part of the service experience
 6. Operational inputs and outputs tend to vary more widely
 7. The time factor often assumes great importance
 8. Distribution may take place through nonphysical channels
- What are marketing implications?



Four Categories Of Services (Fig 2.1)

SERVICES MARKETING

Nature of the Service Act	Who or What Is the Direct Recipient of the Service?	
	People	Possessions
Tangible Actions	People processing (services directed at people's bodies): ■ Barbers ■ Health care	Possession processing (services directed at physical possessions): ■ Refueling ■ Disposal/recycling
Intangible Actions	Mental stimulus processing (services directed at people's minds): ■ Education ■ Advertising/PR	Information processing (services directed at intangible assets): ■ Accounting ■ Banking

What Are Services? (1)



- **A fresh perspective: Services involve a form of rental, offering benefits without transfer of ownership**
 - Include rental of goods
 - Marketing tasks for services differ from those involved in selling goods and transferring ownership

What Are Services? (2)



- **Five broad categories within non-ownership framework:**
 1. Rented goods services
 2. Defined space and place rentals
 3. Labor and expertise rentals
 4. Access to shared physical environments
 5. Systems and networks: access and usage
- **Implications of renting versus owning (Service Perspectives 1.1)**
 - Markets exist for renting durable goods rather than selling them
 - Renting portions of larger physical entity (e.g., office space, apartment) can form basis for service
 - Customers more closely engaged with service suppliers
 - Time plays central role in most services
 - Customer choice criteria may differ between rentals and outright purchases
 - Services offer opportunities for resource sharing

Defining Services



■ Services

- Are economic activities **offered** by one party to another
- Most commonly employ time-based performances to bring about **desired results** in:
 - recipients themselves
 - objects or other assets for which purchasers have responsibility

■ In exchange for their money, **time**, and **effort**, service customers expect to obtain value from

- Access to goods, labor, facilities, environments, professional skills, networks, and systems
- But they **do not** normally **take ownership** of any of the physical elements involved

Services Pose Distinctive Marketing Challenges



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■ What are marketing implications?

What are the consequences of these characteristics (for the four Ps)?



- **Characteristic: Intangibility**
- **Example companies: Music Lessons, Therapy, Stock Broking**
- **Implications for marketing? For the four P?**
- **Showing is a problem**
- **How effective the service → How good the quality**

What are the consequences of these characteristics (for the four Ps)?



- **Characteristic: Customer is highly integrated into the production**
- **Example companies: Engineering, Insurance (in the beginning), Car Customization, Home Design, Wedding Planning**
- **Implications for marketing? For the four P?**
- **Built up trust**
- **Patience**
- **Knowledge about Business → look competent**
- **Face-to-face**

What are the consequences of these characteristics (for the four Ps)?



- **Characteristic: the product can vary in quality**
- **Example companies: Meals in restaurant, Hotel services, Sport team management,**
- **Implications for marketing? For the four P?**
 - **Importance of hiring right people**
 - **Develop Standards**
 - **Standard of Discipline**
 - **Emotional Connected**

Comparing Goods and Services



source: A. Parasuraman, V. A. Zeithaml, and L. L. Berry, "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing* 49 (Fall 1985) pp. 41–50. Reprinted by permission of the American Marketing Association.

Goods	Services	Resulting Implications
Tangible	Intangible	Services cannot be inventoried. Services cannot be easily patented. Services cannot be readily displayed or communicated. Pricing is difficult.
Standardized	Heterogeneous	Service delivery and customer satisfaction depend on employee and customer actions. Service quality depends on many uncontrollable factors. There is no sure knowledge that the service delivered matches what was planned and promoted.
Production separate from consumption	Simultaneous production and consumption	Customers participate in and affect the transaction. Customers affect each other. Employees affect the service outcome. Decentralization may be essential. Mass production is difficult.
Nonperishable	Perishable	It is difficult to synchronize supply and demand with services. Services cannot be returned or resold.

Differences, Implications, and Marketing-Related Tasks (1) (Table 1.1)



Difference	Implications	Marketing-Related Tasks
- Most service products cannot be inventoried - Intangible elements usually dominate value creation - Services are often difficult to visualize and understand - Customers may be involved in co-production	- Customers may be turned away - Harder to evaluate service and distinguish from competitors - Greater risk and uncertainty perceived - Interaction between customer and provider; but poor task execution could affect satisfaction	- Use pricing, promotion, and reservations to smooth demand; work with ops to manage capacity - Emphasize physical clues, employ metaphors and vivid images in advertising - Educate customers on making good choices; offer guarantees - Develop user-friendly equipment, facilities, and systems; train customers, provide good support

Differences, Implications, and Marketing-Related Tasks (2) (Table 1.1)



Difference	Implications	Marketing-Related Tasks
- People may be part of service experience - Operational inputs and outputs tend to vary more widely - Time factor often assumes great importance - Distribution may take place through nonphysical channels	- Behavior of service personnel and customers can affect satisfaction - Hard to maintain quality, consistency, reliability - Difficult to shield customers from failures - Time is money; customers want service at convenient times - Electronic channels or voice telecommunications	- Recruit, train employees to reinforce service concept - Shape customer behavior - Redesign for simplicity and failure proofing - Institute good service recovery procedures - Find ways to compete on speed of delivery; offer extended hours - Create user-friendly, secure websites and free access by telephone

Expanded Marketing Mix for Services

The 8Ps of Services Marketing

- Product Elements (*Chapter 3*)
- Place and Time (*Chapter 4*)
- Price and Other User Outlays (*Chapter 5*)
- Promotion and Education (*Chapter 6*)
- Process (*Chapter 8*)
- Physical Environment (*Chapter 10*)
- People (*Chapter 11*)
- Productivity and Quality (*Chapter 14*)

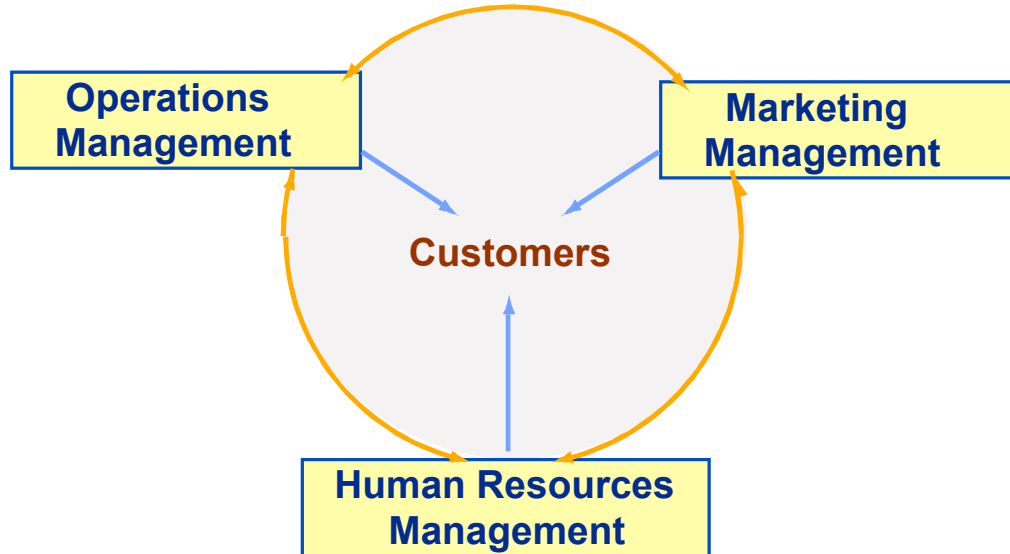


Fig 1.9 Working in Unison: The 8Ps of Services Marketing

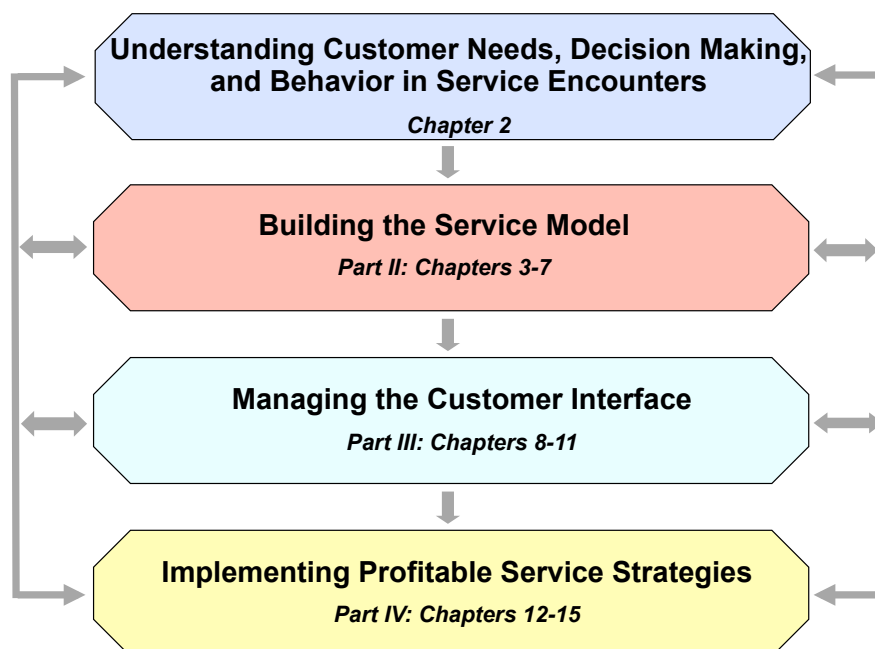
Marketing Must Be Integrated with Other Management Functions (Fig 1.10)



Three management functions play central and interrelated roles in meeting needs of service customers



A Framework For Developing Effective Service Marketing Strategies: Overview



Term project



The Project: Prepare a service concept for a real company or purpose in the Boston Area.

The Scope: The purpose of this assignment is to give you an opportunity to develop a complete service concept for a real business. An integrated service concept implies multiple steps to be carried out over time and it may also imply numerous creative executions, some of which may be dependent on prior steps. The students should use the service book as a guide for the project. Below is a guideline list students can follow:

- ca. 1 page: Executive summary (incl. mission)
- ca. 3 pages: Market summary, situation assessment and analysis (incl. SWOT)
- ca. 12 pages: Service Concept & Marketing Strategy (incl. "Prototypes").
This part should include and applied some of the concepts and techniques learned in the class. e.g. Flower of Service, Blueprint & service scripts, Role descriptions, Pricing plan, Distribution plan, Communication plan, Servicescape planning, Website integration, Garantie or Reward program?
- ca. 2 pages: Future recommendation with priorities, budget plan, and timeline

Approach to support your client



1. Situation Analysis

- Interview with the Management
- Analysis of the Industry
- SWOT
- Major Service Management Problems?

2. Problem definition

- Priorities of Problems
- Be aware of the resources
- Finding the right tools to deliver an answer for the problem
- Don't oversee easy fixes of (smaller) problems
- **Prepare the application of the tools and execute**
- **Based on this deliver recommendations**

Typical Management Problems (1)



- **What should we offer?**
 - Service Flow, Outsourcing Decision, Full Services & No Frills, Blue-Print, Customer Integration
- **What are the customer needs?**
 - Market research (Ethnography) , Mystery Shopping, Risks, Search Attributes
- **Do we offer good quality? Is the customer satisfied?**
 - Gap Model, ServQual, Hard & Soft Measures, Productivity Measures, Service standards

Typical Management Problems (2)



- **How can we improve our service? Why do we fail sometimes?**
 - Fishbone-Diagram, Blue-Printing, Pareto-Diagram, Critical incident technique, Employee Empowerment
- **How can we retain the customer? How can we ensure the customer comes back?**
 - Service Recovery, Reward & Loyalty Programs, Script, Risk, Convenience
- **Does the customer get our message right? What does he receive?**
 - Communication Metaphors, Corporate Identity, Scripts & Roles, Servicescape