

Chapter 1: New Perspectives on Marketing in the Service Economy



What Are Services?

Three lists

- | | |
|--------------------------|-----------------------------|
| 1 Blue jeans | 8 Running shoes |
| 2 car | 9. Hotel Room |
| 3. houseplant | 10. Haircut |
| 4. Ice cream cone | 11. Meal at nice Restaurant |
| 5. Jewelry | 12. Vacation Package |
| 6. Laundry detergent | 13. golf lessons |
| 7. "Lean Cuisine" Dinner | 14. Dental examination |
| | 15. T.V. Repair |

- 1) Blue Jeans
- 2) Detergent
- 3) Shoes
- 4) Ice cream cone
- 5) houseplant
- 6) Jewelry
- 7) Lean Cuisine
- 8) car
- 9) Haircut
- 10) Dental examination
- 11) meal @ Rest.
- 12) Hotel Room
- 13) vaca package
- 14) TV Repair
- 15) Golf Lesson

Three lists

- | | |
|--------------------|----------------------|
| 1) Socks | 9) Dry cleaning |
| 2) Casual clothing | 10) Tax consultant |
| 3) Couch | 11) Poster Framing |
| 4) Business suit | 12) Plumbing repairs |
| 5) Fast Food | 13) Life insurance |
| 6) Dishwasher | 14) House cleaning |
| 7) Condo | 15) Day care |
| 8) Flu shot | |

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- 6) Fast Food
- 7) Condo
- 8) Poster Framing
- 9) Flu shot
- 10) Life Insurance
- 11) Plumbing repairs
- 12) House Cleaning
- 13) Dry Cleaning
- 14) Tax Consultant
- 15) Day care

Three lists

- 1 Soft Drink
- 2 Greeting Card
- 3 Novel
- 4 Dress Shoes
- 5 Furniture
- 6 Xeroxing/Copying
- 7 Health Club Membership
- 8 Tailored Clothing
- 9 Eyeglasses
- 10 Typing Service
- 11 Car Brake Relining
- 12 Rental Car
- 13 Psychotherapy
- 14 Legal Representation
- 15 Appendix Operation

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Defining Services by the AMA

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



- **Service as a product**

UMass Boston College of Management
Boston's Public Business School

- **Customer service**



- **Services as value add for goods**



- **Service embedded in a tangible product**



Service Products versus Customer Service and After-Sales Service



- 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

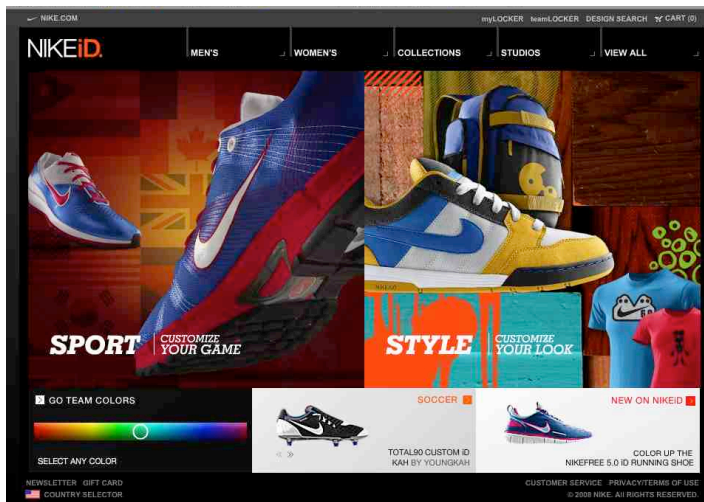
Examples of Goods Companies that are Expanding into Services



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)

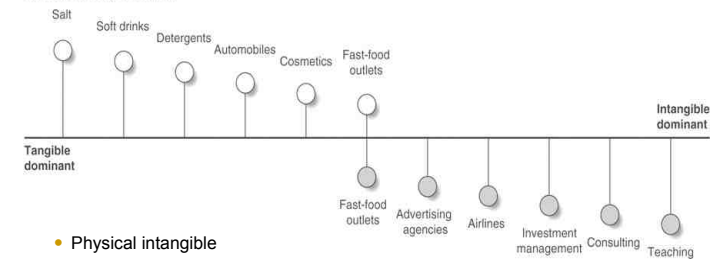


Tangibility Spectrum



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

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

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

Services Pose Distinctive Marketing Challenges



■ 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. Operational inputs and outputs tend to **vary** more widely
6. The **time factor** often assumes great importance
7. **People** may be part of the service experience
8. Distribution may take place through **nonphysical** channels



■ What are marketing implications?

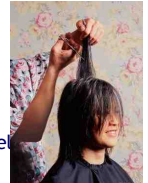


Expanded Marketing Mix for Services

Services Pose Distinctive Marketing Challenges



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 4. Operational inputs and outputs tend to vary more widely
 5. Intangible elements usually dominate value creation
 6. Services are often difficult to visualize and understand
 7. Distribution may take place through nonphysical channels
 8. People may be part of the service experience
- What are marketing implications?



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)

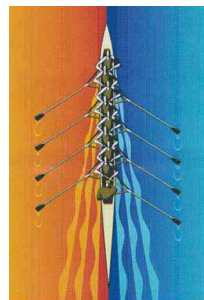


Fig 1.9 Working in Unison: The 8Ps of Services Marketing

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



- Characteristic: Intangibility
- Example companies: Customer Service, Education, Doctor, Therapist,
- Implications for marketing? For the four P?
 - - Giving stats as proxy
 - - Referrals, testimonials,

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



- **Characteristic: Customer is highly integrated into the production**
- **Example companies: ATM, Vending, Buffet, Online Shopping, Build a bear, American girl doll,**
- **Implications for marketing? For the four P?**
- **- Personalize service. Understand the customer,**
- **Ask questions, better 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 It's Implications for Future Research." *Journal of Marketing* 9 (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
<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ 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
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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

Dr. Beckett



- Which of the seven elements of the Services Marketing Mix are addressed in this case? Give of each "P" you identify
- Why do people dislike going to the dentist? Do you feel Dr. Beckett had addressed this problem effectively?
- How do Dr. Beckett and her staff educate patients about the service they are receiving? What else could they do?
- Contrast your own dental care experiences with those offered by Dr. Beckett's practice. What differences do you see? Based on your review of this case, what advice would you give to your current or former dentist, and to Dr. Beckett?

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

