



Part Three Product Decisions

13

Services Marketing

Chapter Learning Objectives

- To understand the nature and importance of services
- To identify the characteristics of services that differentiate them from goods
- To describe how the characteristics of services influence the development of marketing mixes for services
- To understand the importance of service quality and explain how to deliver exceptional service quality
- To explore the nature of nonprofit marketing

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Chapter Outline

- The Nature and Importance of Services
- Characteristics of Services
- Developing and Managing Marketing Mixes for Services
- Service Quality
- Nonprofit Marketing

The Nature and Importance of Services

- Service

- An intangible product involving a deed, performance, or effort that cannot be physically possessed
- Application of human and/or mechanical efforts directed at people or objects

- Service Facts (U.S.)

- Service industries account for over 50% of GDP.
- Service industries employ 80% of nonfarm workers.
- More than half of new businesses are service firms.
- Services have increased in tandem with the long-term growth of the U.S. economy.

Characteristics of Services

- **Intangibility**

- Services are actions that have no permanent physical qualities as opposed to goods which can be touched and possessed over time.

- **Inseparability of Production and Consumption**

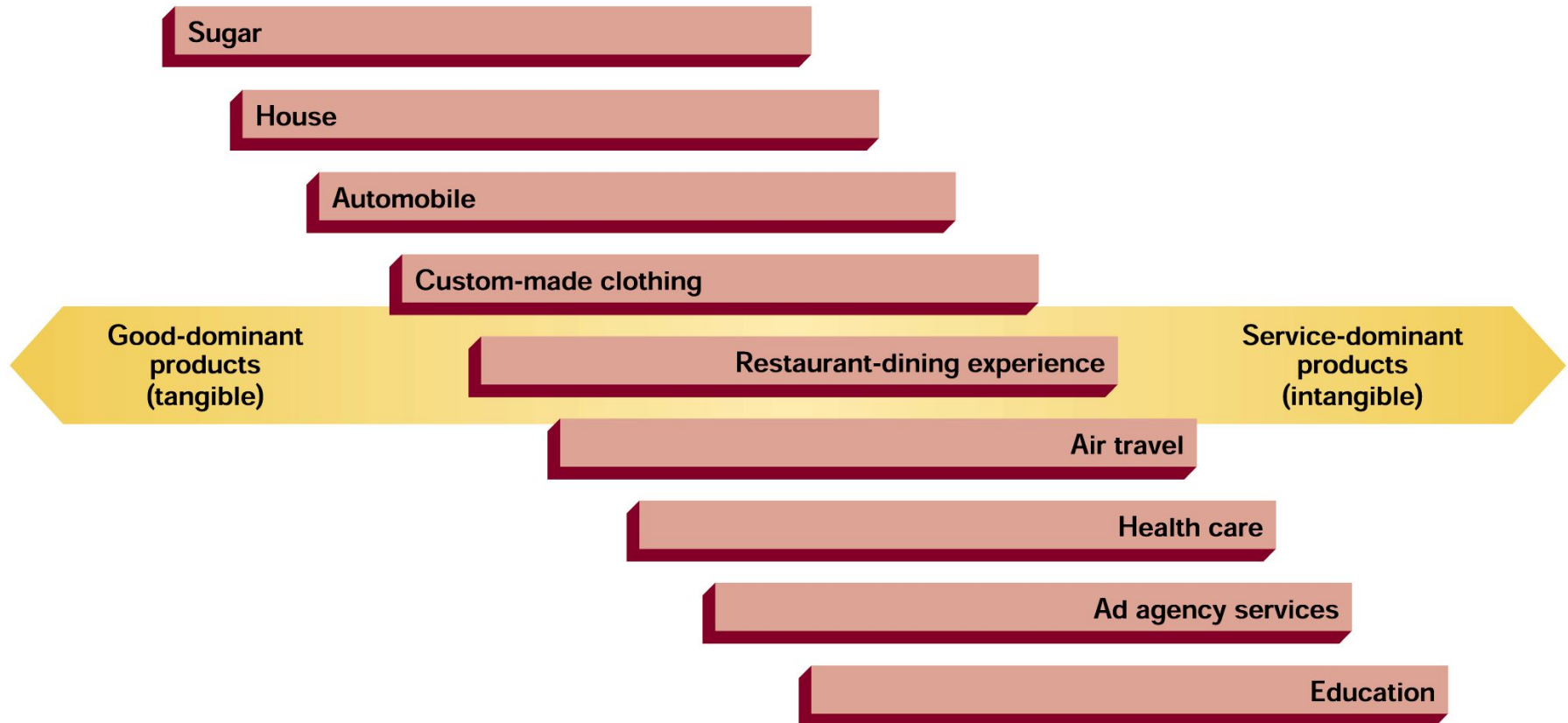
- The production of a service cannot be separated from its consumption by the customer.

- **Services are produced, sold, and consumed all at the same time.**

- **Perishability**

- Services cannot be produced ahead of time and stored until needed.

The Tangibility Continuum



Characteristics of Services (cont'd)

- **Heterogeneity**

- Variation in the quality of services delivered by individuals and organizations

- **Client-Based Relationships**

- Interactions that result in satisfied customers who use a service repeatedly over time

Characteristics of Services (cont'd)

- **Customer Contact**

- The level of interaction between the service provider and the customer necessary to deliver the service
 - **High-contact services require the customer to be present during the production of the service.**
 - **High contact services require well-trained and motivated service personnel.**
 - **Low-contact services do not require the customer's continuous presence while the service is carried out.**

Table 13.1**Service Characteristics and Marketing Challenges**

Service Characteristics	Resulting Marketing Challenges
Intangibility	Difficult for customer to evaluate Customer does not take physical possession Difficult to advertise and display Difficult to set and justify prices Service process is usually not protectable by patents
Inseparability of production and consumption	Service provider cannot mass-produce services Customer must participate in production Other consumers affect service outcomes Services are difficult to distribute
Perishability	Services cannot be stored Very difficult to balance supply and demand Unused capacity is lost forever Demand may be very time sensitive
Heterogeneity	Service quality is difficult to control Difficult to standardize service delivery

Table 13.1**Service Characteristics and Marketing Challenges**

Service Characteristics	Resulting Marketing Challenges
Client-based relationships	Success depends on satisfying and keeping customers over the long term Generating repeat business is challenging Relationship marketing becomes critical
Customer contact	Service providers are critical to delivery Requires high levels of service employee training and motivation Changing a high-contact service into a low-contact service to achieve lower costs without reducing customer satisfaction

Sources: K. Douglas Hoffman and John E. G. Bateson, *Essentials of Services Marketing* (Ft. Worth, TX: Dryden Press, 1997), pp. 25–38; Valarie A. Zeithaml, A. Parasuraman, and Leonard L. Berry, *Delivering Quality Service: Balancing Customer Perceptions and Expectations* (New York: Free Press, 1990); Leonard L. Berry and A. Parasuraman, *Marketing Services: Competing through Quality* (New York: Free Press, 1991), p. 5.

Developing and Managing Marketing Mixes for Services

- **Development of Services**

- Package or bundle of services consists of
 - **core services that are the expected basic service experience.**
 - **supplementary services that differentiate the service bundle from those of other competitors.**
 - **“Basic,” “Standard,” and “Deluxe” service combinations are custom-tailored to consumers’ specific needs.**

Developing and Managing Marketing Mixes for Services (cont'd)

- **Development of Services (cont'd)**
 - Effective delivery of services
 - **Segment the pleasure and combine the pain**
 - **Get bad experiences out of the way as soon as possible**
 - **Build commitment through choice**
 - **Give ritual to consumers**
 - **Finish strong**

Developing and Managing Marketing Mixes for Services (cont'd)

- **Distribution of Services**

- Customers come to a service facility.
- Services are brought to the consumer.
- Services are provided at “arm’s length”, with no face-to-face customer contact.



Developing and Managing Marketing Mixes for Services (cont'd)

- **Distribution of Services**

- Marketing channels are typically short and direct, with no or few intermediaries.
- Inseparability of service requires a focus on service demand/supply management (e.g., scheduling of service delivery).
- Accessibility to services is increased by substituting automated equipment for contact personnel.



Developing and Managing Marketing Mixes for Services (cont'd)

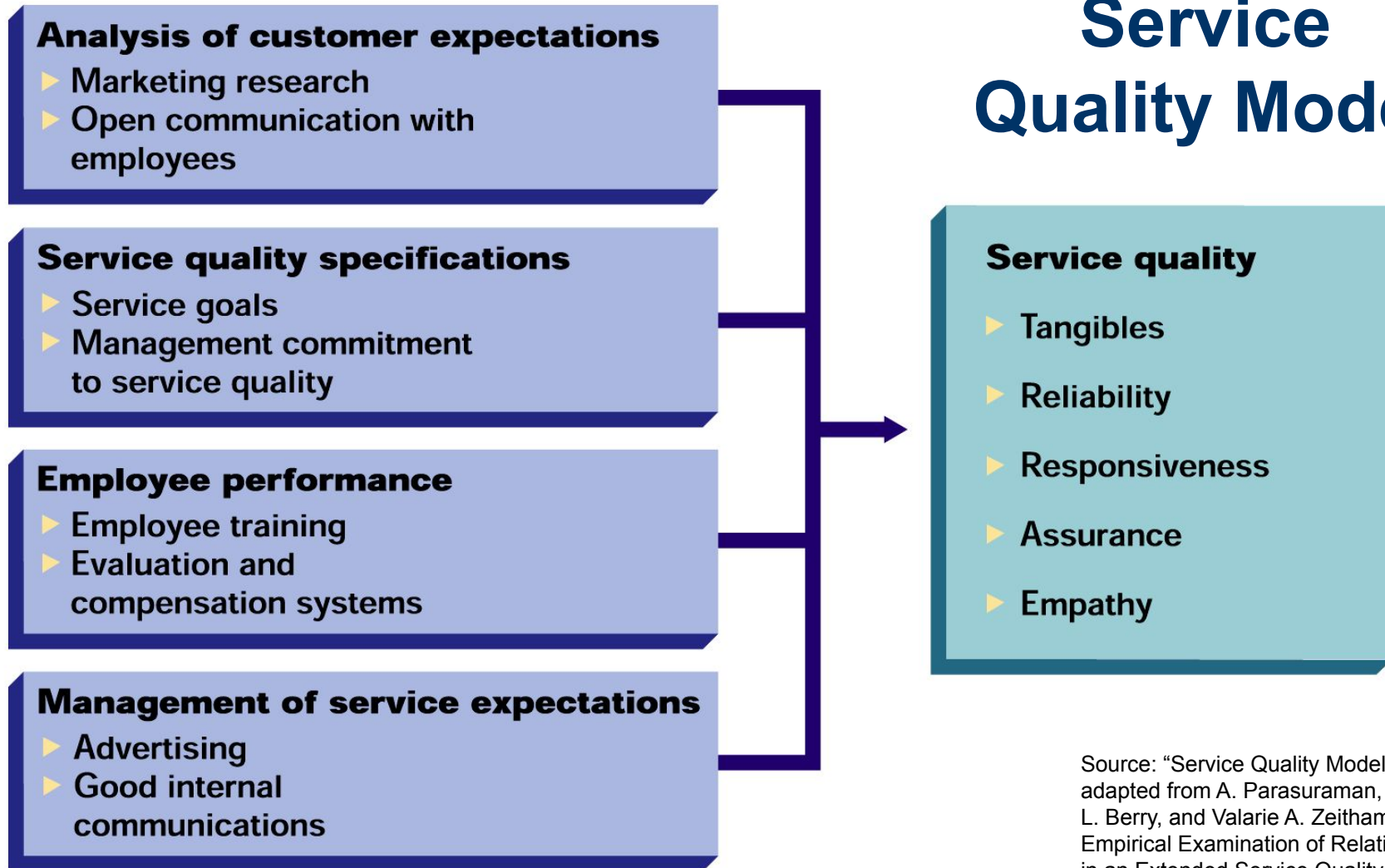
- Promotion of Services—Overcoming the Intangibility of Services
 - Providing tangible (symbolic) cues/images
 - Promoting price, guarantees, availability, personnel
 - Using concrete, specific language in advertising
 - Using personal selling and word-of-mouth advertising
 - Offering services on a trial basis

Developing and Managing Marketing Mixes for Services (cont'd)

- Pricing of Services

- Performance of specific tasks—car washing
- Amount of time to complete the service—babysitting
- Variable pricing based on the level of demand; high price at peak demand, lower prices when demand slackens—airline seats
- Bundling of services requires decisions on unit, combination, or separate pricing—telephone services
- Pricing as an indicator of quality is used when consumers have no other cues to indicate quality.

Service Quality Model



Source: "Service Quality Model," adapted from A. Parasuraman, Leonard L. Berry, and Valarie A. Zeithaml, "An Empirical Examination of Relationships in an Extended Service Quality Model," *Marketing Science Institute Working Paper Series*, Report no. 90-112 (Cambridge, MA: Marketing Science Institute, 1990). Used with permission.

Service Quality

- Service Quality

- Customers' perception of how well a service meets or exceeds their expectations
- Service quality is judged from the customer's viewpoint.



Service Quality (cont'd)

- Customer Evaluation of Service Quality

- Search qualities

- **Tangible attributes that can be judged before the purchase of a product**

- Experience qualities

- **Attributes assessable only during purchase and consumption of a service**

- Credence qualities

- **Attributes that customers may not be able to evaluate even after purchasing and consuming the service**

Table 13.2**Dimensions of Service Quality**

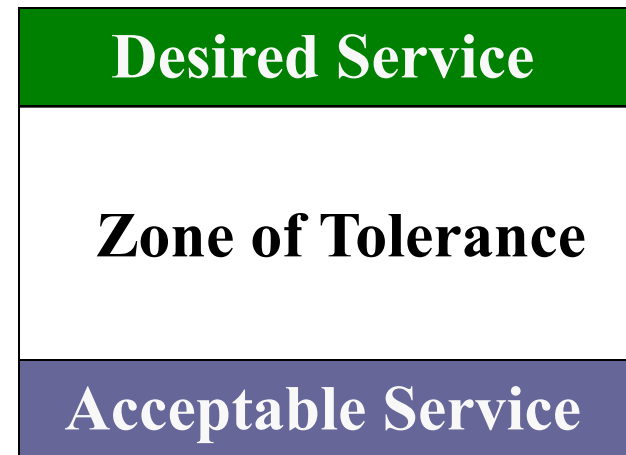
Dimension	Evaluation Criteria	Examples
Tangibles: Physical evidence of the service	Appearance of physical facilities Appearance of service personnel Tools or equipment used to provide the service	A clean and professional-looking doctor's office A clean and neatly attired repairperson The quality of food in a restaurant The equipment used in a medical exam
Reliability: Consistency and dependability in performing the service	Accuracy of billing or recordkeeping Performing services when promised	An accurate bank statement A confirmed hotel reservation An airline flight departing and arriving on time
Responsiveness: Willingness or readiness of employees to provide the service	Returning customer phone calls Providing prompt service Handling urgent requests	A server refilling a customer's cup of tea without being asked An ambulance arriving within 3 minutes
Assurance: Knowledge/competence of employees and ability to convey trust and confidence	Knowledge and skills of employees Company name and reputation Personal characteristics of employees	A highly trained financial adviser A known and respected service provider A doctor's bedside manner
Empathy: Caring and individual attention provided by employees	Listening to customer needs Caring about customers' interests Providing personalized attention	A store employee listening to and trying to understand a customer's complaint A nurse counseling a heart patient

Sources: Adapted from Leonard L. Berry and A. Parasuraman, *Marketing Services: Competing through Quality* (New York: Free Press, 1991); Valarie A. Zeithaml, A. Parasuraman, and Leonard L. Berry, *Delivering Quality Service: Balancing Customer Perceptions and Expectations* (New York: Free Press, 1990); A. Parasuraman, Leonard L. Berry, and Valarie A. Zeithaml, "An Empirical Examination of Relationships in an Extended Service Quality Model," *Marketing Science Institute Working Paper Series*, Report no. 90-122 (Cambridge, MA: Marketing Science Institute, 1990), p. 29.

Delivering Exceptional Service Quality

- **Analysis of Customer Expectations**

- Levels of customer service expectations
 - **Desired:** if met, customer is very satisfied
 - **Acceptable:** if met, customer is not dissatisfied
- Conduct marketing research
 - **Focus groups**
 - **Comment cards**
 - **Asking employees**



Delivering Exceptional Service Quality (cont'd)

- **Service Quality Specifications**
 - Establish goals for service delivery
 - Secure management's commitment to service quality
- **Employee Performance**
 - Train customer-contact employees at all levels
 - Incorporate service quality into employee evaluation and compensation systems

Delivering Exceptional Service Quality (cont'd)

- **Management of Service Expectations**
 - Conduct advertising campaigns that make realistic promises of service
 - Establish good internal communications to inform employees and ensure promises are kept

Nonprofit Marketing

- Nonprofit Marketing

- Marketing conducted to achieve some goal other than ordinary business goals of profit, market share, or return on investment

- How Is Nonprofit Marketing Different?

- Beneficiaries are clients, members, or the public
 - Greater opportunities for creativity
 - More difficult to judge marketing success
 - Sometimes more controversial

Nonprofit Marketing (cont'd)

- Nonprofit Marketing Objectives

- To obtain a desired response from a target market
- Organization's goals and nature of the exchange with target market both affect marketing objectives.



Developing Nonprofit Marketing Strategies

- Target Markets

- People who are interested in or concerned about an organization, a product or a social cause

- Client Publics

- Direct consumers of the organization's products or services

- General Publics

- Indirect consumers of the organization's products or services



Developing Nonprofit Marketing Strategies (cont'd)

- **Developing a Marketing Mix**

- Define what it is that the organization is providing
- Make distribution decisions about how ideas and services will be made to clients
- Develop a distribution channel to control the flow of nonprofit products to clients
- Make promotional decisions as to how to communicate with clients and the public
- Determine whether fixed or variable pricing for services is appropriate
- Count opportunity costs of volunteers as contributions

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After reviewing this chapter you should:

- Understand the nature and importance of services.
- Be able to identify the characteristics of services that differentiate them from goods.
- Be able to describe how the characteristics of services influence the development of marketing mixes for services.
- Understand the importance of service quality and explain how to deliver exceptional service quality.
- Be familiar with the nature of nonprofit marketing.



Chapter 13

Supplemental Slides

Key Terms and Concepts

- The following slides (a listing of terms and concepts) are intended for use at the instructor's discretion.
- To rearrange the slide order or alter the content of the presentation
 - select “Slide Sorter” under View on the main menu.
 - left click on an individual slide to select it; hold and drag the slide to a new position in the slide show.
 - To delete an individual slide, click on the slide to select, and press the Delete key.
 - Select “Normal” under View on the main menu to return to normal view.

Important Terms

- **Service**

- An intangible product involving a deed, performance, or effort that cannot be physically possessed

- **Inseparability of Production and Consumption**

- The production of a service cannot be separated from its consumption by the customer.

- **Perishability**

- Services cannot be produced ahead of time and stored until needed.

- **Heterogeneity**

- Variation in the quality of services delivered by individuals and organizations

Important Terms

- **Client-Based Relationships**

- Interactions that result in satisfied customers who use a service repeatedly over time

- **Customer Contact**

- The level of interaction between the service provider and the customer necessary to deliver the service

- **Core Services**

- The expected basic service experience.

- **Supplementary Services**

- Services that differentiate the service bundle from those of other competitors.

Important Terms

- **Service Quality**

- Customers' perception of how well a service meets or exceeds their expectations

- **Search Qualities**

- Tangible service attributes that can be judged before the purchase of a product

- **Experience Qualities**

- Attributes of a service assessable only during purchase and consumption of a service

- **Credence Qualities**

- Attributes that customers may not be able to evaluate even after purchasing and consuming the service

Important Terms

- **Nonprofit Marketing**

- Marketing conducted to achieve some goal other than ordinary business goals of profit, market share, or return on investment

- **Target Markets**

- People who are interested in or concerned about an organization, a product, or a social cause

- **Client Publics**

- Direct consumers of a product

- **General Publics**

- Indirect consumers of a product

Unique Service Characteristics

- Intangibility
- Inseparability of production and consumption
- Perishability
- Heterogeneity
- Client-based relationships
- Customer contact

Categories of Services

- **Type of Market**
 - Consumer
 - Business
- **Degree of Labor-Intensiveness**
 - People-based
 - Equipment-based
- **Degree of Customer Contact**
 - High Contact
 - Low Contact
- **Skill of the Service Provider**
 - Professional
 - Nonprofessional
- **Goal of the Service Provider**
 - Profit
 - Nonprofit