

# SERVICES MARKETING

INTEGRATING CUSTOMER FOCUS ACROSS THE FIRM

3<sup>RD</sup> EDITION

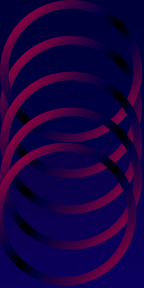
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# Chapter

# 1

# Introduction to Services

- What are services?
- Why services marketing?
- Service and Technology
- Differences in Goods vs. Services Marketing
- Services Marketing Mix
- Staying Focused on the Customer
- The Gaps Model of Service Quality



# A note on the PowerPoint Slides...

- These PowerPoint slides contain selected exhibits, figures and tables from the chapters as well as objectives for the chapters. For many chapters, we include extra lecture slides and in-class exercises that we have compiled and used in our classes. The lecture slides are not intended to provide full outlines or complete lectures for the chapters, but rather may be used selectively to enhance class sessions.



# Objectives for Chapter 1: Introduction to Services

- Explain what services are and identify service trends.
- Explain the need for special services marketing concepts and practices.
- Outline the basic differences between goods and services and the resulting challenges for service businesses.
- Introduce the service marketing triangle.
- Introduce the expanded services marketing mix.
- Introduce the gaps model of service quality.



# Challenges for Services

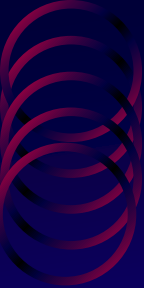
- Defining and improving quality
- Communicating and testing new services
- Communicating and maintaining a consistent image
- Motivating and sustaining employee commitment
- Coordinating marketing, operations and human resource efforts
- Setting prices
- Standardization versus personalization



# Examples of Service Industries

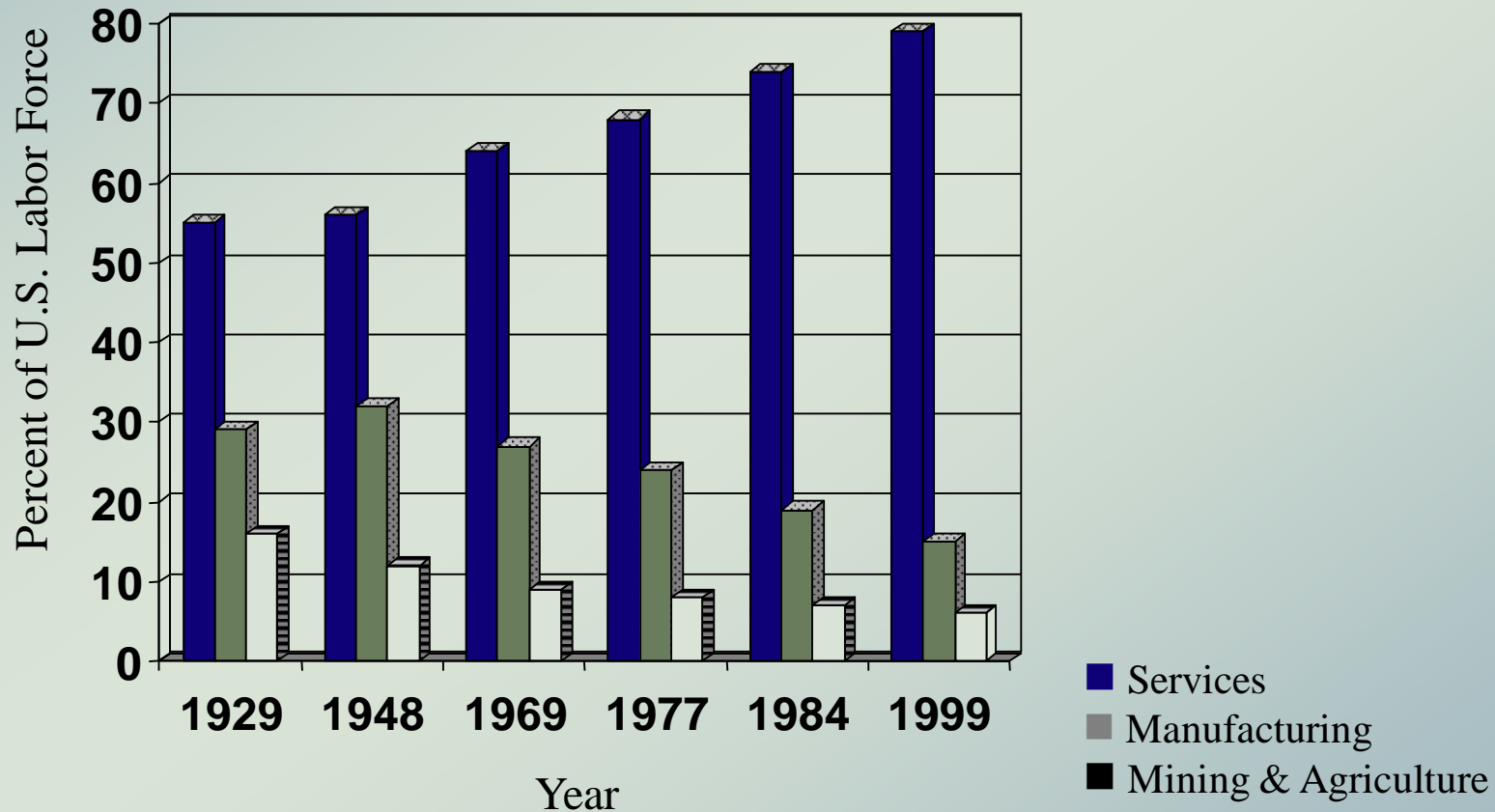
- **Health Care**
  - hospital, medical practice, dentistry, eye care
- **Professional Services**
  - accounting, legal, architectural
- **Financial Services**
  - banking, investment advising, insurance
- **Hospitality**
  - restaurant, hotel/motel, bed & breakfast,
  - ski resort, rafting
- **Travel**
  - airlines, travel agencies, theme park
- **Others:**
  - hair styling, pest control, plumbing, lawn maintenance, counseling services, health club





# Figure 1.2

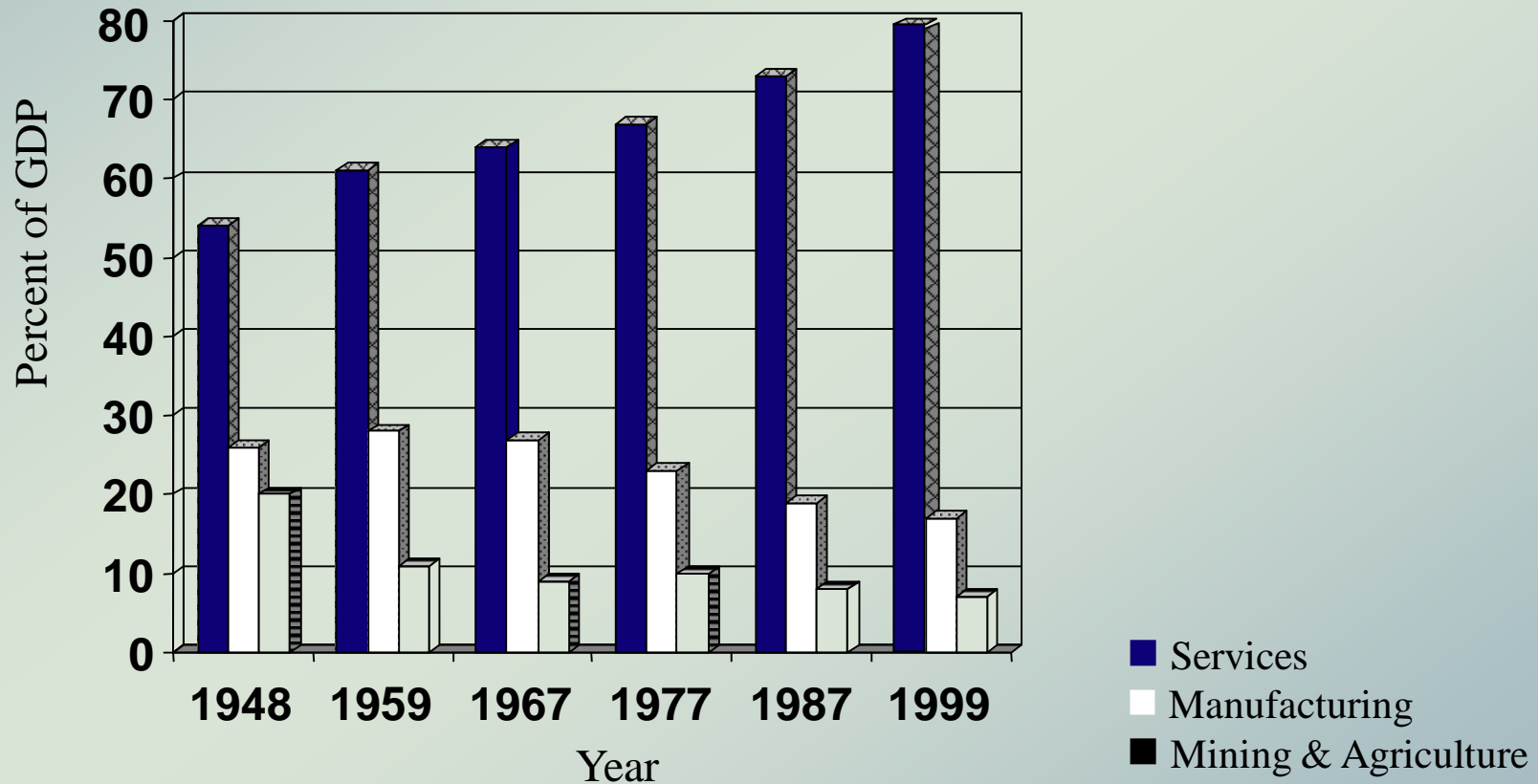
## Percent of U.S. Labor Force by Industry



Source: *Survey of Current Business*, April 1998, Table B.8, July 1988, Table 6.6B, and July 1992, Table 6.4C; Eli Ginzberg and George J. Vojta, "The Service Sector of the U.S. Economy," *Scientific American*, 244,3 (1981): 31-39.

Figure 1.3

# Percent of U.S. Gross Domestic Product by Industry



Source: *Survey of Current Business*, August 1996, Table 11, April 1998, Table B.3; Eli Ginzberg and George J. Vojta, "The Service Sector of the U.S. Economy," *Scientific American*, 244,3 (1981): 31-39.

Table 1.1

# Industries Classified within the Service Sector

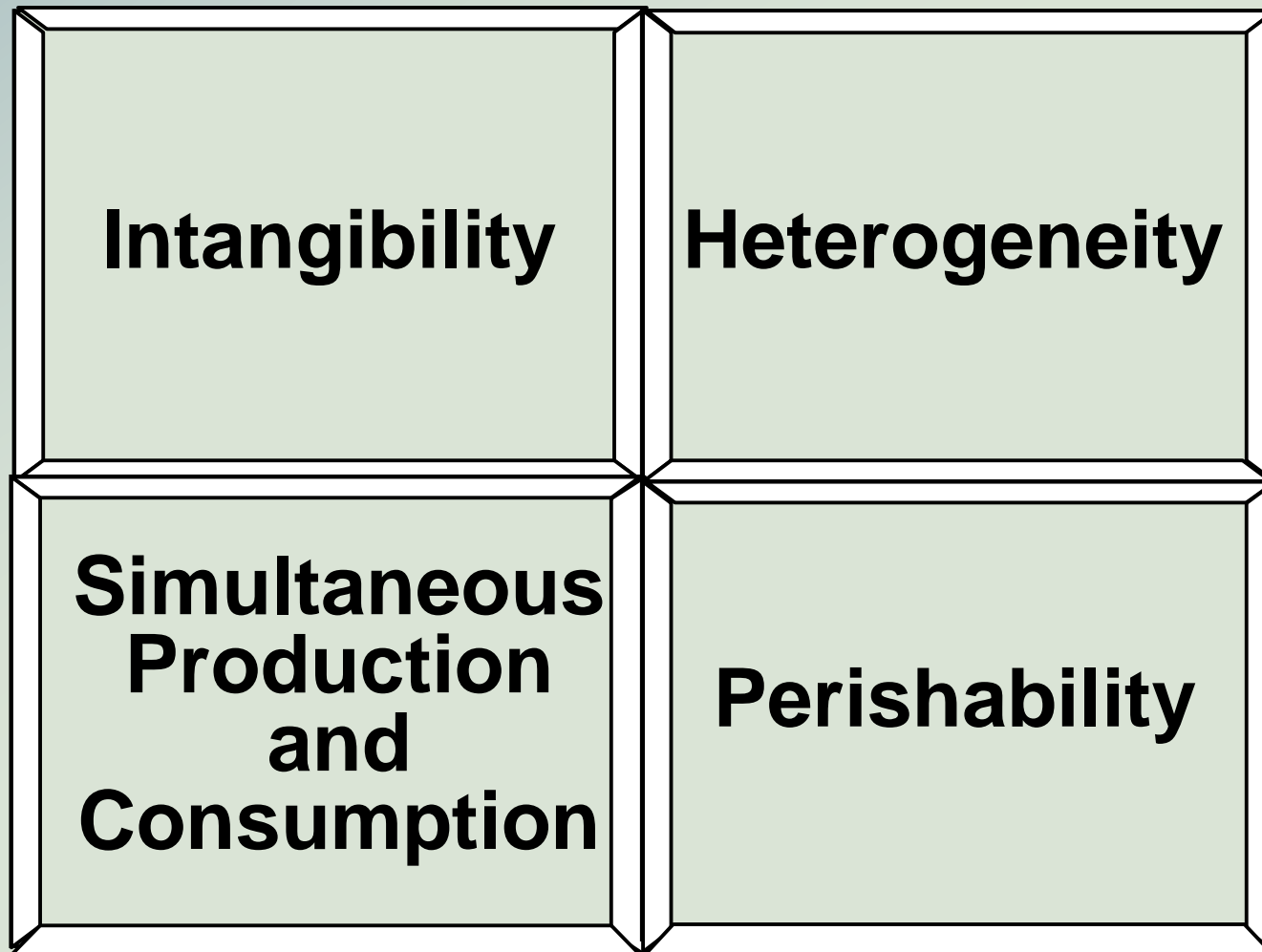
**TABLE 1.1**  
**Industries Classified**  
**within the Service**  
**Sector\***

Transportation and public utilities	Other services
Transportation	Hotels and other lodging places
Railroad transportation	Personal services
Local and interurban transit	Business services
Trucking and warehousing	Auto repair, services, and parking
Water transportation	Miscellaneous repair services
Air transportation	Motion pictures
Pipelines, except natural gas	Amusement and recreation services
Transportation services	Health services
Communication	Legal services
Telephone and telegraph	Management consulting services
Radio and television broadcasting	Educational services
Electric, gas, and sanitary services	Social services
Wholesale trade	Membership organizations
Retail trade	Miscellaneous services
Finance, insurance, and real estate	Private household services
Depository institutions	Federal government
Nondepository institutions	State and local government
Security and commodity brokers	E-commerce
Insurance agents and brokers	Internet-based services
Real estate	
Holding and investment companies	

\*Using the broad definition of service industries, this list was adapted from *Survey of Current Business*, 1998.



# Differences Between Goods and Services





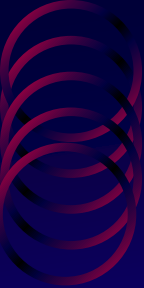
# Implications of Intangibility

- Services cannot be inventoried
- Services cannot be patented
- Services cannot be readily displayed or communicated
- Pricing is difficult



# Implications of Heterogeneity

- Service delivery and customer satisfaction depend on employee actions
- Service quality depends on many uncontrollable factors
- There is no sure knowledge that the service delivered matches what was planned and promoted



# Implications of Simultaneous Production and Consumption

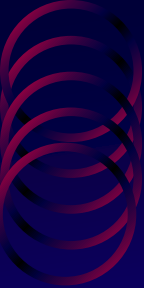
- Customers participate in and affect the transaction
- Customers affect each other
- Employees affect the service outcome
- Decentralization may be essential
- Mass production is difficult





# Implications of Perishability

- It is difficult to synchronize supply and demand with services
- Services cannot be returned or resold



# Table 1.3

## Services are Different

<b>Goods</b>	<b>Services</b>	<b>Resulting Implications</b>
Tangible	Intangible	Services cannot be inventoried. Services cannot be patented. Services cannot be readily displayed or communicated. Pricing is difficult.
Standardized	Heterogeneous	Service delivery and customer satisfaction depend on employee 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.

Source: Adapted from Valarie A. Zeithaml, A. Parasuraman, and Leonard L. Berry, "Problems and Strategies in Services Marketing," *Journal of Marketing* 49 (Spring 1985): 33-46.



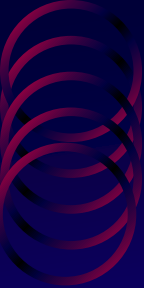
# Services Marketing Mix: 7 Ps for Services

- Traditional Marketing Mix
- Expanded Mix for Services: 7 Ps
- Building Customer Relationships Through People, Processes, and Physical Evidence
- Ways to Use the 7 Ps



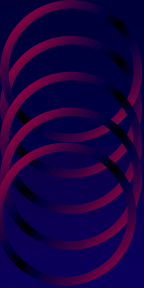
# Traditional Marketing Mix

- All elements within the control of the firm that communicate the firm's capabilities and image to customers or that influence customer satisfaction with the firm's product and services:
  - Product
  - Price
  - Place
  - Promotion



# Expanded Mix for Services -- The 7 Ps

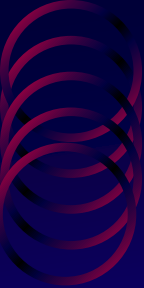
- Product
- Price
- Place
- Promotion
- **People**
- **Process**
- **Physical Evidence**



# Table 1.4

## Expanded Marketing Mix for Services

<b>PRODUCT</b>	<b>PLACE</b>	<b>PROMOTION</b>	<b>PRICE</b>
<b>Physical good features</b>	<b>Channel type</b>	<b>Promotion blend</b>	<b>Flexibility</b>
<b>Quality level</b>	<b>Exposure</b>	<b>Salespeople</b>	<b>Price level</b>
<b>Accessories</b>	<b>Intermediaries</b>	<b>Advertising</b>	<b>Terms</b>
<b>Packaging</b>	<b>Outlet location</b>	<b>Sales promotion</b>	<b>Differentiation</b>
<b>Warranties</b>	<b>Transportation</b>	<b>Publicity</b>	<b>Allowances</b>
<b>Product lines</b>	<b>Storage</b>		
<b>Branding</b>			



# Table 1.4 (Continued)

## Expanded Marketing Mix for Services

<b>PEOPLE</b>	<b>PHYSICAL EVIDENCE</b>	<b>PROCESS</b>
<b>Employees</b>	<b>Facility design</b>	<b>Flow of activities</b>
<b>Customers</b>	<b>Equipment</b>	<b>Number of steps</b>
<b>Communicating culture and values</b>	<b>Signage</b>	<b>Level of customer involvement</b>
<b>Employee research</b>	<b>Employee dress</b>	
	<b>Other tangibles</b>	



# Ways to Use the 7 Ps

## Overall Strategic Assessment

- How effective is a firm's services marketing mix?
- Is the mix well-aligned with overall vision and strategy?
- What are the strengths and weaknesses in terms of the 7 Ps?

## Specific Service Implementation

- Who is the customer?
- What is the service?
- How effectively does the services marketing mix for a service communicate its benefits and quality?
- What changes/improvements are needed?