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Prezentace předmětu: Marketing of services

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FAKULTA V KARVINĚ

NATURE OF SERVICES 1



The aim of this presentation is to describe the nature of services and its dissimilarities with goods markets

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NATURE OF SERVICES 1

Lecture structure

Nature of services

Intangibility

Inseparability

Heterogeneity

No transfer of ownership



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- In simple words, services are deeds, processes, and performances. But, the increasing interest in the services sector has been accompanied by considerable disagreement and debate as to what constitutes a service and whether service marketing is a distinctive subject area. In order to develop clarity on service as a concept, it is desirable to look at the way various researchers and scholars have defined this area
- One of the first to define services was the American Marketing Association which as early as in 1960 defined services as “activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods”. This definition took a very limited view of services as it proposed that services are offered only in connection with the sale of goods.



- The other definition which was proposed in 1963 by Regan suggested that “services represent either intangible yielding satisfactions directly (transportation, housing etc.), or intangibles yielding satisfactions jointly when purchased either with commodities or other services (credit, delivery, etc.)”. For the first time services were considered as pure intangibles - capable of providing satisfaction to the customer and can be marketed like tangible products.



- Robert Judd defined service as “a market transaction by an enterprise or entrepreneur where the object of the market transaction is other than the transfer of ownership of a tangible commodity”
- In 1973 Bessom proposed that “for the consumer, services are activities offered for sale that provide valuable benefits or satisfactions; activities that he cannot perform for himself or that he chooses not to perform for himself”.
- Another definition given by Blois in 1974 says that, “a service is an activity offered for sale which yields benefits and satisfactions without leading to a physical change in the form of a good”.



- Stanton proposed a definition in 1974 and defined service as “Separately identifiable, intangible activities which provide want satisfaction when marketed to consumers and/or industrial users and which are not necessarily tied to the sale of a product or another service”.
- Kotler and Bloom in 1984, defined service as, “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”.



- Gronroos defined a service as “an activity or series of activities of more or less intangible nature that normally, not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solution to customer problem
- We may conclude service as, “an activity or series of activities rather than things which has some element of intangibility associated with it, which involves some interaction between the customer and the service provider, and does not result in a transfer of ownership. Customer has a vital role to play in the production process as the services are provided in response to the problems of customers as solution. The production of the service may or may not be closely associated with a physical product”. ms”.



- It is important to explore the distinctive features of services, because recognition of these special characteristics will provide insights for enlightened and innovative management. One reason for the poor quality of service levels across different service industries is that managers often tend to solve service marketing problems with tools and techniques that are essentially meant for tangible products. It happens because of inadequate understanding about the nature of services. As our knowledge of the characteristics of services grows, so does our ability to deal with them from both an economic and marketing perspective. Services have a number of unique characteristics that make them different from products



- The most basic and universally cited characteristic of services is intangibility, because services are performances or actions rather than objects, they cannot be seen, felt, tasted, or touched in the same manner that we can sense tangible goods. For example, when we buy a cake of soap, we can see, feel, smell and use to check its effectiveness in cleaning.



- But, when we pay fees for a semester in the university, we are paying for the benefits of deriving knowledge, skills and education which is delivered to us by teachers. Teaching is an intangible service. When we travel by a plane, the benefit which we are deriving is a service (transportation) but, it has some tangible aspects such as the particular plane in which we fly (Boeing, Avro, Concorde, etc.) and the food and drink which are served



- The broad definition of services implies that intangibility is a key determinant of whether an offering is or is not a service. While this is true, it is also true that very few products are purely tangible or purely intangible. Instead, services tend to be more intangible than manufactured products, and manufactured products tend to be more tangible than services.



- Intangibility presents several marketing challenges. Services cannot be inventoried, and therefore fluctuations in demand are often difficult to manage. It cannot be patented legally, and new service concepts can, therefore, easily be copied by competitors.



- It cannot be readily displayed or easily communicated to customers, so quality may be difficult for consumers to assess. The actual costs of a 'unit of service' are hard to determine and the price/quality relationship is complex.



- In most cases a service cannot be separated from the person or firm providing it. A service is provided by a person who possesses a particular skill (singer, doctor, etc.), by using equipment to handle a tangible product (dry cleaning) or by allowing access to or use of a physical infrastructure (hotel, train, etc.). Services are typically produced and consumed at the same time.



- The relationship between production and consumption, therefore, dictates that production and marketing are highly integrated processes. The telephone company produces telephone service while the telephone user consumes it.
- A plumber has to be physically present to provide the service, the beautician has to be available to perform the massage. The service provider and the client are often physically present when consumption takes place.



- Generally, most goods are produced first, then sold and consumed. On the other hand, services are usually sold first and produced and consumed simultaneously. Sasser observed that the firm is unable to store or transport services, that only direct distribution is possible, thereby potentially limiting the number of markets that firm can cover.



- Apart from the stress laid on ‘right place’ and ‘right time’ in case of distributing goods, there is additional importance given to the performance of service in the ‘right way’ as well. Another outcome of simultaneous production and consumption is that service producers find themselves playing a role as part of the product itself and as an essential ingredient in the service experience for the consumer.



- Since services often are produced and consumed at the same time, mass production is difficult if not impossible. The quality of service and customer satisfaction will be highly dependent on actions of employees and the interactions between employees and customers. It is not usually possible to gain significant economies of scale through centralization.



- Usually operations need to be relatively decentralised so that the service can be delivered directly to the consumer at convenient locations. Since the customer is involved in and observes the production process, and thus may affect (positively or negatively) the outcome of the service transaction.



- Since services are performances, frequently produced by human beings, no two services will be precisely alike. The human element is very much involved in providing and rendering services and this makes standardization a very difficult task to achieve. The doctor who gives us complete attention in one visit may behave a little differently in next visit. The new bank clerk who encashes our cheques may not be as efficient as the previous one and we may have to spend more time for the same activity.



- This is despite the fact that rules and procedures have been laid down to reduce the role of the human element and ensure maximum efficiency. Airlines, banks, hotels, etc. have a large number of standardized procedures. Human contact is minimal in the computerised reservation systems, but when we go to the hotel there will be a person at the reception to hand over the key of the reserved room.



- The way that person interacts with us will be an important factor in our overall assessment of the service provided by the hotel. The rooms, the food, the facilities may be all perfect, but it is the people interacting with us who make all the difference between a favourable and unfavourable perception of the hotel. Heterogeneity also results because no two customers are precisely alike; each will have unique demands or experience the service in a unique way.



- Thus, the heterogeneity connected with services is largely the result of human interaction (between and among employees and customers) and all of the vagaries that accompany it.



- Levitt argues that owing to the industrialisation of services, their production can no longer be viewed as being heterogeneous. Attempts have been made to improve productivity in the service sector by introduction of technology. Uniformity can be achieved by substituting equipment and machinery for labour.



- Hostage suggested that service firms could also reduce variability by training the service providers in appropriate responses to each customer situation. They can also monitor customer satisfaction through suggestion and complaint system so that poor service can be detected and corrected.



- Services are heterogeneous across time, organisations, and people and as a result, it is very difficult to ensure consistent service quality. Quality actually depends on many factors that cannot be fully controlled by the service supplier, such as the ability of the consumer to articulate his or her needs, the ability and willingness of personnel to satisfy those needs, the presence (or absence) of other customers, and the level of demand for the service. Because of these complicating factors, the service manager cannot always know for sure that the service is being delivered in a manner consistent with what was originally planned and promoted.

Perishability



- Perishability refers to the fact that services cannot be saved, stored, resold, or returned. Since services are deeds, performances or acts whose production and consumption takes place simultaneously, they tend to perish in the absence of consumption. Goods can be stored and sold at a later date in the absence of a customer. Services, on the other hand, go waste if they are not consumed. A seat on an airplane or in a restaurant, an hour of a professor's time, or telephone line capacity not used cannot be reclaimed and used or resold at a later time.



- A primary issue that marketers face in relation to service perishability is the inability to hold inventory. Demand forecasting and creative planning for capacity utilisation are, therefore, important and challenging decision areas. The fact that services cannot typically be returned or resold also implies a need for strong recovery strategies when things do go wrong. Kurtz and Boone observed that the utility of most services is short lived; therefore, they cannot be produced ahead of time and stored for periods of peak demand.



- The perishability of services is not a problem when demand is steady because it is easy to staff for the service in advance. When there are wide fluctuations in demand there should be a highly flexible production system or idle productive capacity. Sasser has described several strategies for producing a better match between demand and supply in a service business. On the demand side, the firm can make use of differential pricing, cultivating non-peak demand and developing complementary services.



- On the supply side, for effective matching with demand, the firm may hire part time employees to serve peak demand; peak-time efficiency routines can be introduced, facilities for future expansion can be developed, and increased consumer participation can be encouraged.

No transfer of ownership



- When we buy a product, we become its owner-be it a pen, book, shirt, TV or Car. In the case of a service, we may pay for its use, but we never own it.
 - By buying a ticket one can see the evening film show in local cinema theatre; by paying wages one can hire the services of a chauffeur who will drive his car; by paying the required charges we can have a marketing research firm survey into the reasons for our product's poor sales performance, etc.
 - In case of a service, the payment is not for purchase, but only for the use or access to or for hire of items or facilities; and transfer of ownership does not take place.
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No transfer of ownership



- The above cited characteristics of services make it unique and that is why services receive special treatment from marketers. There is general agreement that inherent differences between goods and services exist and that they result in unique, or at least different, management challenges for service businesses and for manufacturers that offer services as a core offering.

Summary



- In this presentation you have learned what is the nature of services.
- Intangibility meaning services cannot be inventoried, and therefore fluctuations in demand are often difficult to manage.
- Inseparability is relationship between production and consumption, therefore, dictates that production and marketing are highly integrated processes.
- Heterogeneity meaning no two services will be precisely alike.
- Perishability refers to the fact that services cannot be saved, stored, resold, or returned.