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Prezentace předmětu: Marketing of services

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NATURE OF SERVICES 2



The aim of this presentation is to describe the nature of services and its value for economy and potential for growth

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Garant předmětu
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Přednášející

NATURE OF SERVICES 2

Lecture structure

Service classification in the history of thoughts.

Reasons for growth in services

Role of services in the economy



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- **Consumer affluence**
- Due to the fast rise in the income of consumers, they are attracted towards the new areas like clubs, health clubs, domestic services, travel and tourism, entertainment, banking, investment, retailing, insurance, repairs, etc. and these are growing much faster than ever before. There is a significant change in the pattern of family expenditure.

CLASSIFICATION OF SERVICE



- The service sector can best be characterized by its diversity.
- Service organisations range in size from huge international corporations in such fields as airlines, banking, insurance, telecommunication, hotel chains, and freight transportation to a vast array of locally owned and operated small businesses, including restaurants, laundries, taxis, and numerous business to business services.
- Franchised service outlets- in fields ranging from fast food to book keeping- combine the marketing characteristics of a large chain that offers a standardised product with local ownership and operation of a specific facility.

CLASSIFICATION OF SERVICE



Author	Judd (1964)
Proposed Classification	<ul style="list-style-type: none">- Rented goods services (right to own and use a good for a defined time period).- Owned goods service (custom repair improvement of goods owned by the customer).- Non-goods services (personal, experience or “experiential possession”.
Comment	First two are fairly specific but third category is very broad and ignores services such as insurance, banking, legal advice and accounting.

Source: Urbánek (2014)

CLASSIFICATION OF SERVICE



Author	Zeithmel (1974)
Proposed Classification	<ul style="list-style-type: none">- Type of seller.- Type of buyer.- Buying motives.- Buying practice.- Degree of regulation.
Comment	No specific application to services could apply equally well to goods.

Source: Urbánek (2014)

CLASSIFICATION OF SERVICE



Author	Hill (1977)
Proposed Classification	<ul style="list-style-type: none">- Services affecting persons vs. those affecting goods.- Permanent vs. temporary effects of the service.- Reversibility vs. non-reversibility of these effects.- Physical effects vs. mental effects.- Individual vs. collective services.
Comment	Emphasises nature of service benefits and (in 5) variations in the service delivery / consumption environment.

Source: Urbánek (2014)

CLASSIFICATION OF SERVICE



Author	Thomas (1978)
Proposed Classification	Primarily equipment based: <ul style="list-style-type: none">- automated (e.g., car wash),- monitored by unskilled operators (e.g., movie theatre),- operated by skilled personnel (e.g., airline).
Comment	Although operational rather than marketing in orientation, provides a useful way of understanding product attributes.

Source: Urbánek (2014)

CLASSIFICATION OF SERVICE



Author	Chase (1978)
Proposed Classification	Primarily people-based: <ul style="list-style-type: none">- unskilled labour (e.g., lawn care),- skilled labour (e.g., repair work),- professional staff (e.g., lawyers, dentists).
Comment	Recognises that product variability is harder to control in high contact services because customers exert more influence on timing of demand and service features due to their greater involvement in the service process.

Source: Urbánek (2014)

CLASSIFICATION OF SERVICE



Author	Kotler (1980)
Proposed Classification	Extent of customer contact required in service delivery: <ul style="list-style-type: none">- high contact (e.g., health care, hotels, restaurants),- low contact (e.g., postal service, wholesaling).
Comment	Synthesizes previous work, recognizes differences in purpose of service organisation.

Source: Urbánek (2014)

CLASSIFICATION OF SERVICE



Author	Lovelock (1980)
Proposed Classification	<ol style="list-style-type: none"> 1) People based vs. equipment based. 2) Extent to which client's presence necessary. 3) Meets personal needs vs. business needs. 4) Public vs. private, for-profit vs. non-profit. 5) Basic demand characteristics: <ul style="list-style-type: none"> - object served (persons vs. property), - extent of demand/supply, - discrete vs. continuous relationships between customers and providers. 6) Service content and benefits: <ul style="list-style-type: none"> - extent of physical goods content, - extent of personal service content, - single services vs. bundle of services, - timing and duration of benefits. 7) Service delivery procedures: <ul style="list-style-type: none"> - multisite vs. single site delivery, - allocation of capacity (reservations vs. first come, first served), - independent vs. collective consumption, - time defined vs. task defined transactions -extent to which customers must be present during service delivery.
Comment	<p>Synthesizes previous classification and adds several new schemes. Proposes several categories within each classification. Concludes that defining object served is most fundamental classification scheme. Suggests that valuable marketing insights would come from combining two or more classification schemes in a matrix.</p>

CLASSIFICATION OF SERVICE



Author	Lovelock (1983)
Proposed Classification	<ol style="list-style-type: none"> 1) The nature of the service act <ul style="list-style-type: none"> - Tangible actions to people or things. - Intangible actions to people or things. 2) Relationships with customers <ul style="list-style-type: none"> - Continuous delivery. - Discrete transactions. - “Membership” relationships. - No formal relationships. 3) Customisation and judgement in service delivery <ul style="list-style-type: none"> - Judgement exercised by customer contact persons. - Customisation of services. 4) Nature of demand in relation to supply <ul style="list-style-type: none"> - Extent to which supply is constrained. - Extent of demand fluctuations. 5) Methods of service delivery <ul style="list-style-type: none"> - single or multi site delivery. - service delivered on provider’s or customer’s premises.
Comment	Provides a series of classifications which together illustrate the complete nature of services and provide useful background information for managerial purposes.

CLASSIFICATION OF SERVICE



Author	Schmenner (1986)
Proposed Classification	<p>1) Degree of interaction and Customisation</p> <ul style="list-style-type: none">- Low.- High. <p>2) Degree of labour</p> <ul style="list-style-type: none">- Low.- High.
Comment	Recognises that some services may be more customised and involve a higher degree of labour intensity and may help the intensity reader to understand the strategic and tactical options available.

Source: Urbánek (2014)

CLASSIFICATION OF SERVICE

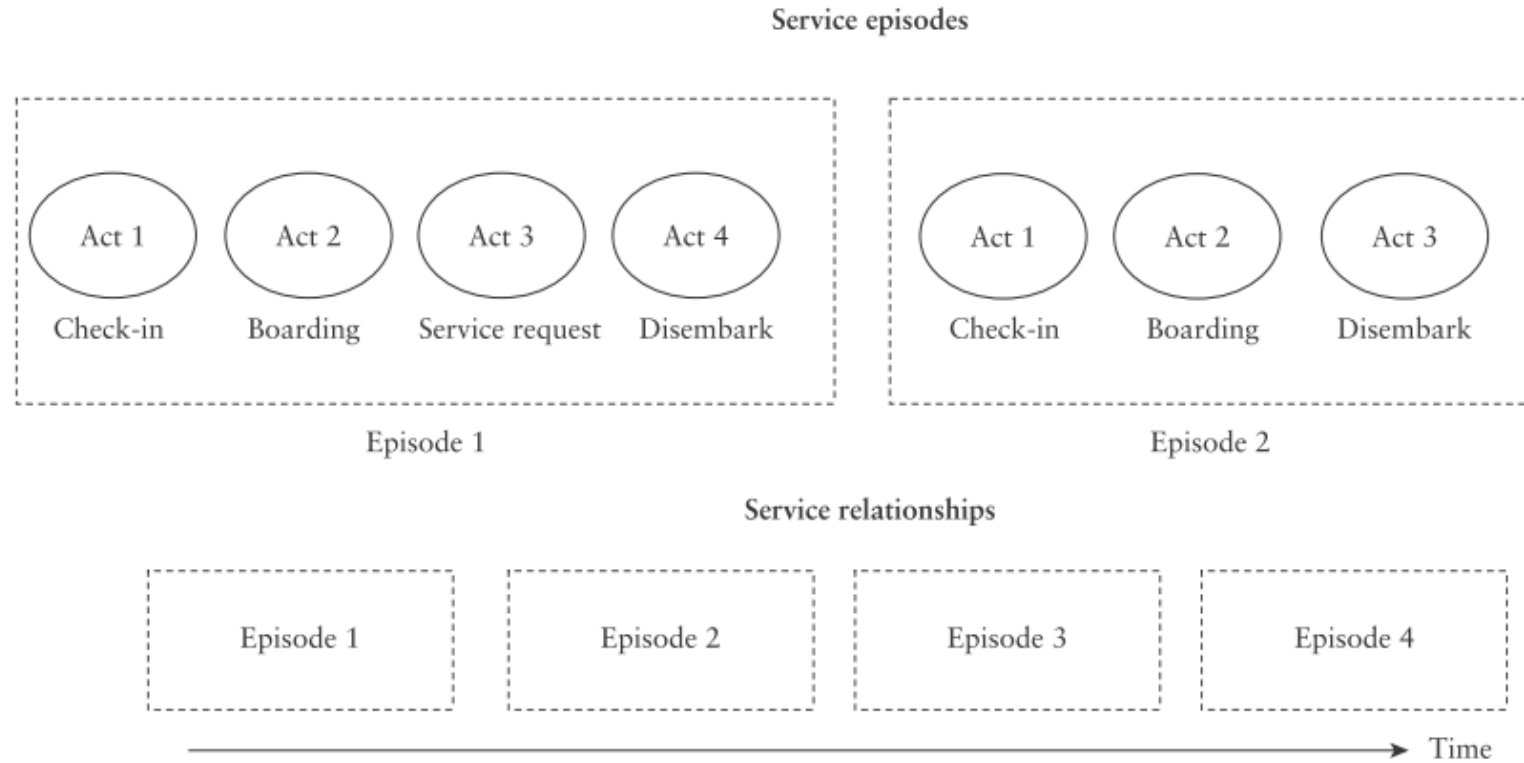


Author	Vandermerwe & Chadwick (1989)
Proposed Classification	<p>1) Degree of consumer/ producer interaction</p> <ul style="list-style-type: none">- Lower.- Higher. <p>2) Relative involvement of goods</p> <ul style="list-style-type: none">- “Pure” services.- Services with some goods or delivered through goods.- Services embodied in goods.
Comment	Recognises the importance and role of goods components in service business.

Source: Urbánek (2014)

- Service episodes are defined as an event or interaction that has a clear starting-point and an ending-point.
- An episode can involve several interactions or acts.
- For example, a consumer who has travelled with a particular airline on a number of routes can represent an episode. This episode can consist of a number of interactions or acts including check-in, boarding a plane, interacting with in-flight staff and so on.
- Therefore it is possible to distinguish between different acts within an episode. The importance of each of these acts may vary in explaining episode satisfaction.

Service episodes



Source: Gilmore (2003)

CLASSIFICATION OF SERVICE



- These classifications not only demonstrate the diversity of services but also suggest how important it is in a specific situation to carefully analyze the detailed nature of the service operation.
- The general characteristics of services remain unchanged irrespective of the nature of service business where the customer is always a person or group of persons; the service is perceived more or less intangibly, some kind of interaction between the customer and some parts of the production system of the service provider-including personnel, technology, or both – always occurs, and some kind of input from the customer is always required in the process

Reasons for service growth



- **Working women**
- During the recent times a large number of women have come up in a variety of professions.
- The work performance of women in most of services sector like bank, insurance, airlines, etc. is highly appreciable. In short, women are getting involved in almost all male dominated activities.
- Due to increasing involvement of women in commercial activities, the services like domestic activities, fast food restaurants, marriage counselling, personal care, financial services, retailing, etc. have emerged in the recent times.

Reasons for service growth



- **Double income no kids (DINK)**
- Dinks are the working couples who have consciously postponed parenthood plans indefinitely or in an increasing number of cases, have decided not to have any children ever.
- The dink culture is getting stronger and spreading wider day by day. The realisation that parenthood is likely to result in more commitments at home and demands on their time, thereby slowing down their career plans and ambitions, make them postpone their parenthood plans.
- Whatsoever be their life style, they have double income and no kids, resulting in the emerging and enhancing of services like, entertainment, hotels and restaurants, career institutes, domestic services, travel resorts, personal care, ETA.



- **Leisure time**
- People do get some time to travel and holiday, and therefore, there is a need for travel agencies, resorts, hotels and entertainment.
- There are others who would like to utilise this time to improve their career prospects, and therefore, there is a need for adult education, distance learning, part time courses, etc.



- **Greater life expectancy**
- According to the World Development Report and World Human Resource Index, the life expectancy of people has increased significantly all over the world barring few developing countries. It may be due to the advancement in the medical technology, and greater awareness about health and education. Greater life expectancy invites opportunities in services like hospitals, Nursing Homes, entertainment, leisure services, investment banking and so on.

- **Product innovations**
- In the changing time the consumers have become more conscious of quality than cost.
- They need high quality goods at par with international standards. Having this in mind the manufacturers have focused their attention on quality improvement, innovations, etc. In this process many more services have emerged on account of product innovation.
- Some of them are servicing services, repairs, computer, training and development, education, etc.



- **Product complexity**
- A large number of products are now being purchased in households which can be serviced only by specialised persons e.g. water purifiers, microwave oven, computers, etc., giving rise to the need for services.
- The growing product complexities create greater demand for skilled specialists to provide maintenance for these complex products and brings out other services like expert advise, consultancy services, etc.

Reasons for service growth



- **New young youth**
- Every new generation has its own characteristics and enjoys a different life style.
- There is a lot of difference between the generations in respect to their living conditions/ styles, maturity, thinking, attitudes, behaviour, beliefs, satisfactions, performance values and so on.
- Today's generation with all these changes provide more opportunities to services like entertainment, fast food, computers, travel, picnic resorts, educational institution, counselling, retailing, etc.

Reasons for service growth



- **Resource scarcity and ecology**
- As the natural resources are depleting and need for conservation is increasing, we have seen the coming up of service providers like pollution control agencies, car pools, water management, etc.

Reasons for service growth



- **Corporate crowd**
- The phenomena of globalisation, privatisation and liberalisation coupled with faster urbanization have created the corporate world crowd and its support services. This crowd is responsible in bringing the new services, and redefining the old ones. The services like hotels and restaurants, banking, insurance, travel and tourism, advertising, airlines, courier services, marketing research, health care, legal services, etc. will emerge and flourish more and more.

ROLE OF SERVICES IN ECONOMY



- There is a growing market for services and increasing dominance of services in economies worldwide.
- Services are a dominant force in countries around the world as can be seen in the global feature.
- The tremendous growth and economic contributions of the service sector have drawn increasing attention to the issues and problems of service sector industries.

ROLE OF SERVICES IN ECONOMY



- There was a time when it was believed that the industrial revolution was the only solution to the problems of poverty, unemployment and other ills of society.
- Now, however, the service sector promises to fulfil the task.
- Services touch the lives of every person every day whether it is in the field of food services, communication, leisure services, maintenance services, travel, amusement parks, to name only a few.

ROLE OF SERVICES IN ECONOMY



- Services are increasingly being used by the corporate as well as the household sector.
- This emphasis on services and its increasing use has not happened overnight - it started in the twentieth century especially after the end of World War II.
- Due to large scale destruction during the war, a lot of economic activities had to be carried out to bring the war torn economies back on road. World War II marked as milestone in the explosive rise of service industries.

ROLE OF SERVICES IN ECONOMY



- Throughout the second half of the twentieth century services industries have attained considerable growth in most western nations.
- After Green Revolution and Industrial revolution, the next possible popular revolution will be in the field of service sector.
- In Green revolution the man learnt to use, exploit and interact with nature (i.e., land and natural resources).



- In Industrial revolution man learnt to use, exploit and interact with equipments and machines for development. In case of services, man is learning to use, exploit and interact with other man-made resources for development.



- In the present day world the service sector is growing at a phenomenal rate and termed as 'sunrise sector of the economy'.
- Following table depicts the share of services in GDP as compared with agriculture and industry dividing the world in three groups; low income, middle income and high income.

ROLE OF SERVICES IN ECONOMY



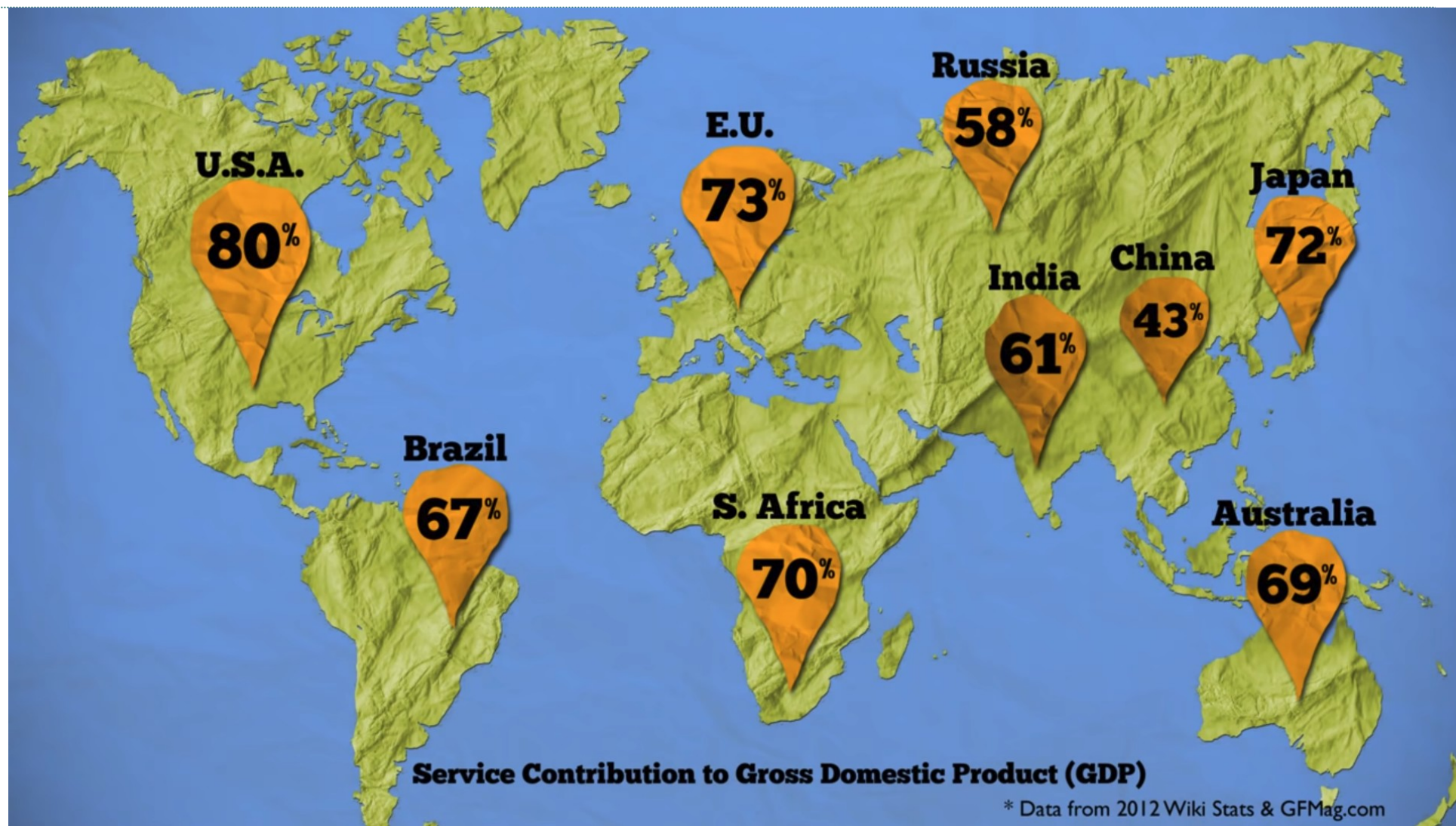
Group of Countries	Major Sector Players (in percentage)			Total
	Agriculture	Industry	Services	
Low Income	25	39	36	100
Middle Income	12	36	52	100
High Income	02	32	66	100
World Total	05	32	63	100

Source: Urbánek (2014)

ROLE OF SERVICES IN ECONOMY



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Summary



- There is a growing market for services and increasing dominance of services in economies worldwide. We have discussed this issue in this presentation.
- Services are a dominant force in countries around the world as can be seen in the global feature.
- The tremendous growth and economic contributions of the service sector have drawn increasing attention to the issues and problems of service sector industries.
- There was a time when it was believed that the industrial revolution was the only solution to the problems of poverty, unemployment and other ills of society