

Service Marketing: A practical approach
Prof. Dr. Biplab Datta
Vinod Gupta School of Management
Indian Institute of Technology-Kharagpur

Lecture-03
The Services System

Welcome to the 3rd lesson of this course services marketing with a practical approach. My name is Dr. Biplab Datta and these are my contact details where you can call me or write to me about the course after you have gone through it and I will be very happy to respond to your feedback.

(Refer Slide Time: 00:42)

[Lesson 3](#) [The Service System](#)

[The Service System](#)

[The Servuction System](#)

We see the 3rd lesson which is about the service system. So here there are 2 topics, the service system and the servuction system.

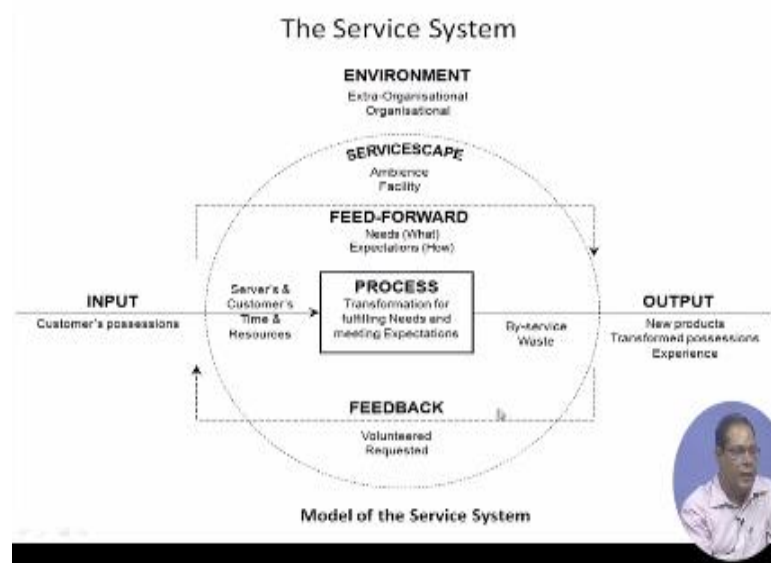
(Refer Slide Time: 01:06)

A System

A system can be described as a black box in which a transformation activity performs on an input to produce an output.

So what is the system?. A system can be described as a black box in which a transformation activity performs on an input to produce an output. So it is basically a black box and there is an input to the black box and then this an output. So that black box and the input and output that can be all together for the system.

(Refer Slide Time: 01:16)



So you see the service system is somewhat like this. There is a servicescape. The servicescape is the place in which the service is provided. So it can be a theater or it can be a restaurant, room, or it can be class room. So that is the servicescape. In that servicescape there is an input of customer's possessions. So both the customers as well as its possessions come as an input. So may be a person car broken-down.

So he is coming to the service arena with the broken down car or with the damaged car and he is entering the servicescape. Now here there is the servers and customers time and

resources which also get into the process as an input. So server give some time and spend some resources on the broken down car and the customer also give some time and resources and together all this goes as an input to the process.

Now the process is a transformation process where the needs are fulfil. So some transformation is done to fulfil the needs and to need some expectations. Now needs may be that the car is properly rectified the and service and the expectations are that **it is** it is handle with care and it is given to the customer in such a way that the customer feels satisfied or delighted. And then once this process is over the product.

The customers positions that come out as an output. So there is a by-service or waste service. So just like a transportation service, customers moves from one place to another. So this transformation process is that of taking the customer from one point A to another point B. Now while the customer is traveling in a bus or something then he looks out of the window and he gets a kinesthetic experience.

So that experience is a by-service which the customer had not thought about or either as the customer feel about them for it, but the customer gets that service free of cost. So that is the by-service. And also there might be a service waste that means the customer gets a service which is not useful for it. For example if these processes are not useful then it would be the wastage of time and money. So that becomes a waste service.

Then the service or the customer positions they come out of the servicescape as an output. So output are of 3 types there could be new products, there could be transformed possessions and there could be an experience. So like when you study in a college you get some books from the college so those are the new products. Transform possession means that your mind gets updated about the information that is provided in the college.

You are trained in something, so that is the transformed possession and while you are getting trained with this transformed possessions you also get an experience. So 2 service providers may provide the same transform possessions, but in one case they handle their possessions with lot of care and in other case they do not handle so you experience in the 1st service provider, experience with the 1st service provider is very good.

Whereas that is not so good with the next service provider. So this is the output. Now in this servicescape the servicescape has some ambience and some facility. So ambience is the some total of the atmosphere which is they are giving the servicescape whether it is too hot or too cold or whether it is comfortable. So that is the ambience and then there is the facility that means the tools and equipment which are kept there whether they are clean and tidy and things like that.

So that is the facility. now when the customer comes to the servicescape he provides some feed forward that means he tells the services provider what we needs, so these are the what he needs and the expectations that is how these needs are to be made. So these are the feed forward. And then when the service is provided and also during the provision of the service.

During the process, the customer may give some feedback and those feedback may be of volunteer type that means the customer can volunteer to give the feedback or the customer would be requested to give the feedback. So that is the feed forward and the feedback system. Now beyond the servicescape there is the service environment. Now this environment may be extra organisational that is beyond the organisation and some environment may be within the organisation.

So this is the organisational environment. So this whole thing is a model of the service system. So this helps one to analyse the service provided and the service received in a way by which one can diagnose what is the problem with the services and why the service could not be provided in a certain manner or it could be used to assess a services provided by the service provider in terms of its components. So that is the use of the service system.

(Refer Slide Time: 07:50)

The Transformation Process

The transformation process may be of the following types:

1. exchange (e.g. trading and barter services)
2. informational (e.g. investigation and communication services)
3. intellectual (training and education services)
4. locomotion (e.g. transport and travel services)
5. physical (e.g. repair and remodelling services)
6. physiological (e.g. beauty and healthcare services)
7. psychological (e.g. counselling and entertainment services)
8. spatial (e.g. experience of ambience and location, like museum, art galleries, movies etc.), and;
9. temporal (e.g. parking, leasing, hiring and storage services)

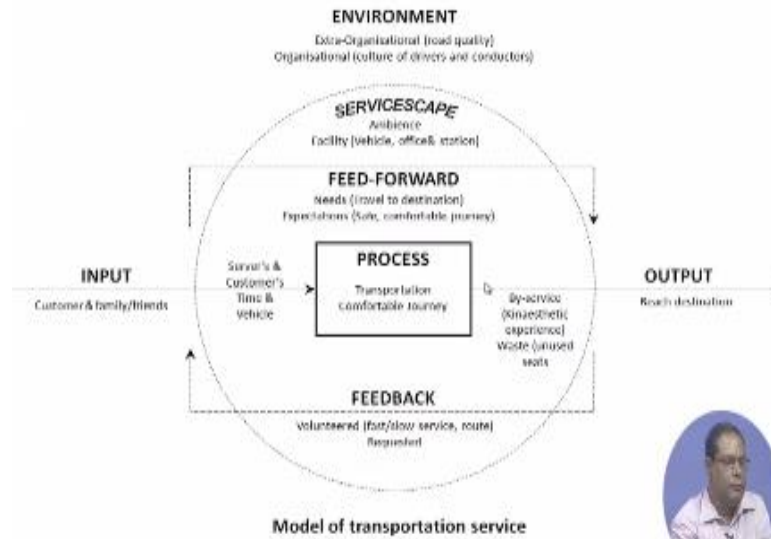
Now there can be several transformation processes. The transformation process may be of the following types like there of 9 types, that is 1st type is exchange that means trading and barter services are examples of exchange services, it may be information and investigation and communication services. These are informational in nature. There could be intellectual services like training and education services. This is intellectual.

Then there can be a locomotion services like transport and travel services. They help people to move from one place to another. There could be physical services like repair and remodelling services. Then there could be beauty and healthcare services as part of the physiological service. There could be counselling and entertainment services as part of psychological services.

There could be spatial services like experience of ambience and location, museum, art galleries, movies etc. which provide spatial services, so you have to visit that space and your mind gets transform in that space and then there could be temporal services like parking, leasing, hiring or storage services where (()) (09:08) the customer's goods are kept for some time **in** and the customer take those at a later point in time.

So it is only during that time that the services provided and safe keeping the goods are assured. So these are the 9 types of transformation processes and these transformation processes are in the form of services.

(Refer Slide Time: 09:38)



So this is another example of a transformation service system. So here the input is that of the customers and family or friends. And then the server and the customers time and vehicle. These are used to provide this come as an input to the process. The process is that of transportation. So this is the need, the what kind of process. So this transportation helps to satisfy the need of the customer.

Then the process is that of the comfortable journey. So this is how of that process. Then how is the transportation done and so this is in the form of comfortable journey for the recipient of the service. Though how is the transportation provided, it is provided in a comfortable manner. So this is the thought of the expectations from that service. And then the service moves on to the output so the customer reaches the destination, that is the output.

Also the customer has a kinesthetic experience, so these 2 are the outputs of the service system. And then there is a by-service that means the kinesthetic experience. The experience that the customer gets as part of the services which is not pay and then there is the services waste. This is unused seats. So these seats which have not been used in the bus or in the train. These are the service waste.

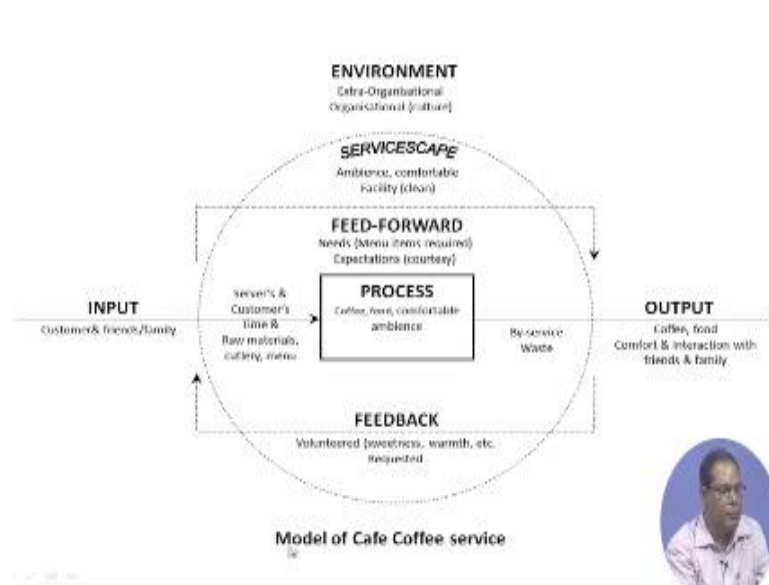
Then there is a feed forward. So the customer tells the service provider, what he needs. So he has to travel to the destination, so he tells the service provider where is the destination, where he wants to go and he also tells has the expectations which he may not tell the service provider, but he still expects the safe and comfortable journey. So these have to be feed forward to the service provider and then there is the feedback which may be volunteer.

So the customer would tell the service provider like he stabling in a car and he would tell the driver that he wants to get there fast or he might say that I am not in a hurry so you please slow down the movement of the vehicle and he may also give feedback about the route that has to be taken by the taxi and also the service provider might request the customer to tell him what he or she exactly needs. So he is able to provide the service better to the service provider.

This is all provided in an ambience which is the servicescape and there the facility or the vehicle and the station are there. So this is the servicescape. And then there is the environment, so extra organisational environment is the road or the quality of the road which is important for the customer who have a comfortable journey. If the road quality is poor the customer cannot have a comfortable journey.

And the organisational environment where the culture of the drivers and the conductors. These are part of the organisational environment, environment of the service provider. So this is a transportation service system and when the service is provided to the customer. It can be analyse as to what, which parts of the service is you know doing well and which parts of the service are not doing not so good, so which have to be better taken care of.

(Refer Slide Time: 13:40)



Similarly the model of cafe coffee services also given here. Here the input is again customer friend and family and the time and the raw materials, cutlery, menu. These are provided by the server. Then the process to make the coffee, food, and comfortable ambience. So coffee

and food are the needs of the customer and the comfortable ambience is the expectations of the customer. Then there is a by services or waste.

And then there the output in the form of coffee or food, comfort and interactions with friends and family as what the customer expects from the service. The feed forward is the menu items required and the expectation is the curtsey with which these items are provided to the service provider to the customer and the feedback that is the customer gives the feedback that the food was sweet or more very sweet etc. it was warm or it was warm enough or it was cold etc. and this feedback may be later requested also from the customer.

Sometime the customer volunteers these feedbacks and sometimes he requested about the feedback. And then there is the environment which is the extra organisational that means beyond these servicescape there is the environment and the environment might be a environment which the customer dislikes, it may be raining outside, so the customer do not like the external environment.

So he feels bored, agitator or whatever and then there is the organisational environment that is basically the culture of the organisation. Whether the organisation provides a soothing culture, a safe culture, a curtest culture to the customer or not, so that is the organisational environment.

(Refer Slide Time: 15:46)

The Servuction System (Eiglier and Langeard, 1977 (Langeard, Bateson, Lovelock and Eiglier, 1981)

- The servicescape (visible)
- Contact personnel/service providers (visible)
- Other customers (visible)
- Organisation and systems (invisible)


Then we come to the servuction system. So this servuction system was written about by Eiglier and Langeard. Langeard, Bateson, Lovelock and Eiglier in 1977 and 81 respectively.

And the consequences are the servicescape which is visible. The contact personnel or service providers, that is also visible. Other customers who are also visible. But the organisation and systems which are invisible. This is the servuction system.

(Refer Slide Time: 16:15)

The Servuction System - Service as a Performance
(Lovelock, Wirtz and Chatterjee, 2010; Grove, Fisk and John, 2000)

- **Service Operations (front stage and backstage)**
 - Where inputs are processed and service elements created
 - Includes facilities, equipment, and personnel
- **Service Delivery (front stage)**
 - Where "final assembly" of service elements takes place and service is delivered to customers
 - Includes customer interactions with operations and other customers
- **Service Marketing (front stage)**
 - Includes service delivery (as above) and all other contacts between service firm and customers, like advertising, billing, web support, participation in market research studies, etc.



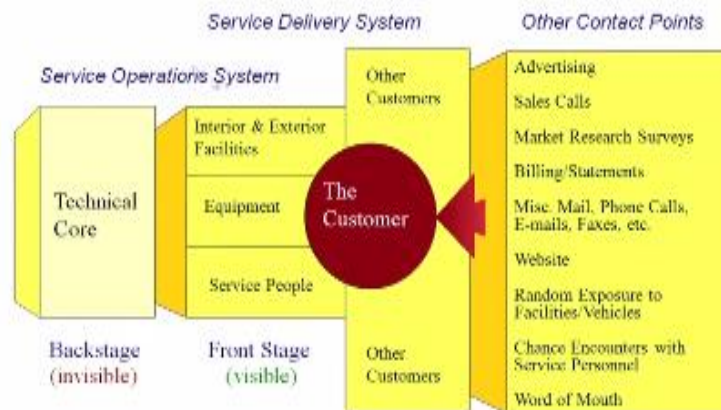
So the servuction system is a service as a performance, is understood as a service as a performance. So Lovelock, Wirtz and Chatterjee have written about it in 2010, Grove, Fisk and John have written about it in 2000. So here the service operators, operations are the front stage and the backstage. Where inputs are processed and service elements created and it includes facilities, equipment, and personnel.

The service delivery is in the front stage where final assembly of service elements takes place and the service is delivered to customers. It includes customer interactions with operations and other customers. So these are the front stage service delivery. And then there is the front stage service marketing, so this includes service delivery as above and all other contact between service firm and customers, like advertising, billing, web support, participation in market research studies, etc.

So these are the front stage service delivery and marketing and the front stage and backstage service operations.

(Refer Slide Time: 17:33)

Service Marketing System for a High-Contact Service
(Lovelock, Wirtz and Chatterjee, 2010)



So the service marketing system for a high contact service which has given by Lovelock, Wirtz and Chatterjee in 2010. So here we see that there are 3 parts, the service operation system, the service delivery system, and other contract points. So the service operation system there is a technical core which is in the backstage and is invisible. So lot of computers etc. would be running at the backstage.

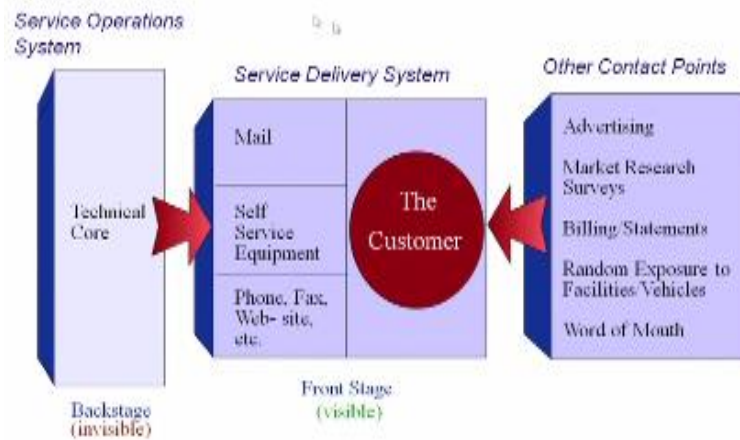
And there is the front stage which is visible to the service provider and so that consist of the interior and exterior facilities like the parking facilities, the lawns and gardens outside and the interior facilities like the air condition as the chairs, and tables etc. which are indoor. Then there are the equipments which are used in the servicescape and then there are the service people, that means the people who provide the service.

Then the customer, the customer is actually in the interface of the service operation system and the service delivery system. So there in the service delivery part there are other customers also who are enjoying the service along with the customer. And other contact points for the customer at the advertising, sales calls, market research surveys, etc. So there are several other contact points word of mouth, so these are the contact points for the customer.

So the point is that for a high contact service, there is a lot of contact points and the service has to provided in a immaculate manner at every contact point, so that the customer is not only satisfied but also delighted with the service.

(Refer Slide Time: 19:28)

Service Marketing System for a Low-Contact Service (Lovelock, Wirtz and Chatterjee, 2010)



Then we have service marketing system for a low contact service. So here again Lovelock, Wirtz and Chatterjee has written about that in the book. So here the service operation system are the technical core which is in the backstage and which is invisible to the customer, but what is visible to the customer are front stage like the mail, the self service equipment, the phone, fax, website etc.

These are visible to the customer and other contact points are advertising, market research service, billing, statements, random exposure to facilities and vehicles, word of mouth, etc. This is a low contact service like the car rental or taxi services etc. and so the customer is within this service operations, other contact points and service delivery system and again the customer has to be a satisfy that every point of delivery and every point of contact with the organisation.

(Refer Slide Time: 20:33)

Integrated Management of the Service System
(Lovelock, Wirtz and Chatterjee, 2010)



So we come to what is called the integrated management of the service system and there we have the customers and the services are delivered through the operations in the service system so that is the part of operations management and these services are sold to the customer and therefore the marketing of the services is important. So there is a marketing management and then the people in the organisation pay a use part in the delivery of the service and that is what is the human resource management part of it.

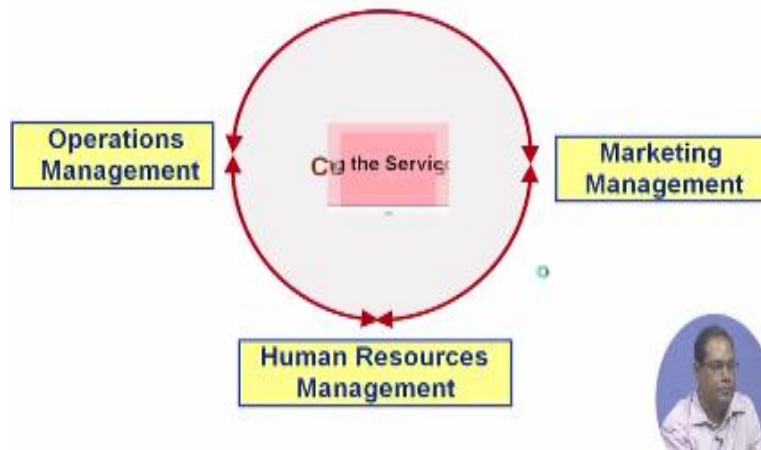
So all these 3 the operations management, marketing management, and human resource management together they provides services to the customer and the customer should be able to get an integrated service system, they should be able to get the experience from a integrated service management system.

(Refer Slide Time: 21:37)

A Framework For Developing Effective Service Marketing Strategies:
An Overview
(Lovelock, Wirtz and Chatterjee, 2010)



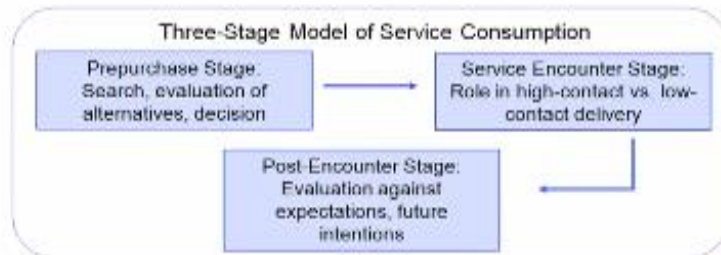
Integrated Management of the Service System
(Lovelock, Wirtz and Chatterjee, 2010)



So framework for developing effective service marketing strategy is of 4 parts. So these are understanding customer needs, decision making and behaviour in service encounter. Then building the service model, then managing the customer interface, and finally implementing profitable service strategies.

(Refer Slide Time: 22:03)

Part I: Understanding Customer Needs, Decision Making,
and Behavior in Service Encounters
(Lovelock, Wirtz and Chatterjee, 2010)

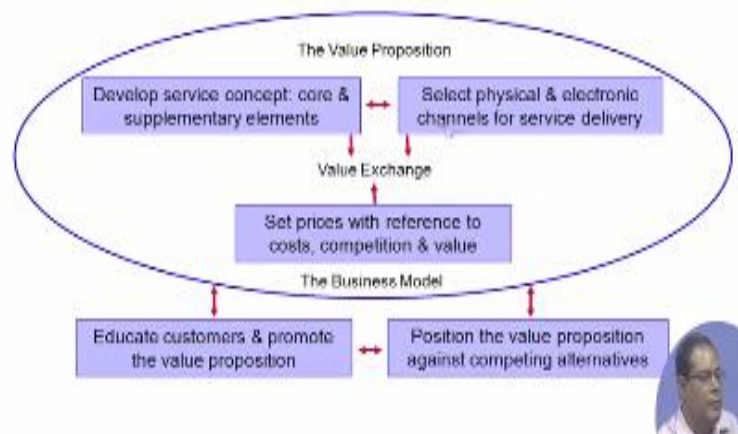


So the 1st part is understanding customer needs, decision making and behaviour in service encounter. So there is a 3 stage model of service consumption. So the 1st stage is the prepurchase stage near the search, evaluation of alternatives and decision that is taken care at the prepurchase stage. Then it comes to the service encounter stage, so role in high contact versus low contact delivery, that is what is there in the service encounter stage.

And this leads to the post-encounter stage that is evaluation against expectations and future intentions. So from the prepurchase stage to the service encounter stage where the role in high contact or low contact delivery and then the post-encounter stage. So this is the 3 stage model of service consumption.

(Refer Slide Time: 23:02)

Part II: Building The Service Model
(Lovelock, Wirtz and Chatterjee, 2010)



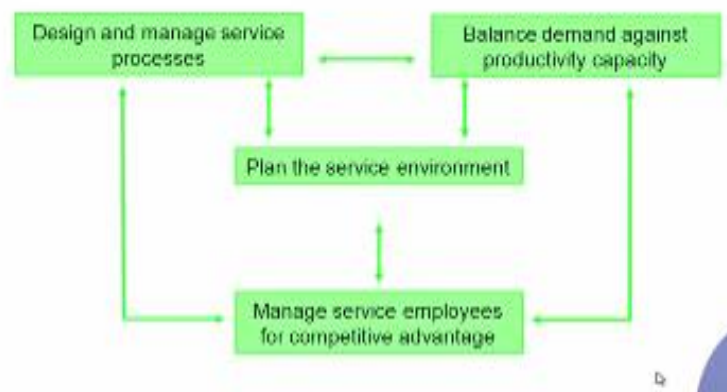
Then come to second part. So here the building of the service model should take place. So here there is the value proposition, that it is the develop services concept, the core and the supplementary elements and that interacts with the select physical and electronic channels for service delivery. So in a physical and electronic channels for service delivery have to be selected and then the value exchange will take place once the prices are set with reference to the cost, competition and value.

This value exchange will take place and this is the business model and that interacts with the education of customers and promotion of the value proposition and the positioning the value proposition against competing alternatives. So this is the business model and then how the customers are educated and position against competing alternatives.

(Refer Slide Time: 24:01)

Part III: Managing the Customer Interface

(Lovelock, Wirtz and Chatterjee, 2010)



And the 3rd is managing the customer interface. So Lovelock, Wirtz and Chatterjee, they again do, they again design this part. So the design and management of service processes and the balance demand against productive capacity. These has to be interact with each other and then once has to plan the service environment. So service environment would help in the delivery of the service processes and in balancing the demand against capacity and then management of service employees for competitive advantage.

This has to be done in order to plan the service environment and that interacts with the design and management of service processes and the balancing of the demand against productive capacity.

(Refer Slide Time: 24:56)

Part IV: Implementing Profitable Service Strategies

(Lovelock, Wirtz and Chatterjee, 2010)



Then coming to the 4th part that is implementing profitable services strategies. So here we see that it create and customer relationship and build loyalty and plan for service recovery and create customer feedback systems. Then that goes on to provide continuous improvement of service quality and productivity and that goes on to provide the organisation for change management and service leadership.

So in this manner the 4 parts of the service marketing is there and the 1st part being understanding customer needs, decision making and behaviour in service encounters. The second one is building the service model. Thirdly managing the customer interface and 4th implementing profitable service strategies.

(Refer Slide Time: 25:55)

References

- Eiglier, P. And Langeard, E. (1977). Services as Systems: Marketing Implications, in Pierre Eiglier, Eric Langeard, Christopher H. Lovelock, John E. G. Bateson, and Robert F. Young, *Marketing Consumer Services: New Insights*. (Marketing Science Institute, : Cambridge, Massachusetts), Report #77-115, pp. 83-103.
- Grove, S. J., Fisk, R. P., and John, J. (2000). Services as Theatre: Guidelines and Implications, in Teresa A. Schwartz and Dawn Iacobucci (eds.), *Handbook of Services Marketing and Management*. (Thousand Oaks, Sage: California), pp.21-26.
- Langeard, E., Bateson, J. E., Lovelock, C. H., and Eiglier, P. (1981). *Services Marketing: New Insights from consumers and Managers* (Marketing Science Institute: Cambridge, Massachusetts), Report #81-104.
- Lovelock, C. Wirtz, J. and Chatterjee, J. (2010). *Services Marketing: People, Technology, Strategy* (Dorling Kindersley: India).
- Robb, F. F. (1984). Cybernetics in Management Thinking, *Systems Research*, 1 (1), pp. 5-23.

So here at the list of references that I have sited in the lesson. I hope you have enjoyed this session and it helps you.