

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

Lecture-04
Characteristic of Services

Welcome to this 4th session on services marketing with a practical approach. I am Dr. Biplab Datta and my contacts are given here, so once you go through the lesson if you have any feedback please write to me so that I can respond to you as much as possible.

(Refer Slide Time: 00:42)

Lesson 4 Characteristics of Services

Definition of Services

The Service Product Bundle

Service Types and Challenges for Managers

The Service Package

Characteristics of Services and their Implications

Strategic Service Classifications

Now this is the 4th lesson which is about characteristics of services. So here we look at the definition of services, the service product bundle, service types and challenges for managers, the service package, characteristics of services and their implications and we look at strategic service classifications.

(Refer Slide Time: 01:05)

Definition of Services

Services can thus be defined as those activities that provide intangible benefits and experiences to customers while transforming their possessions.

So we come to the definition of services. Services can be defined as those activities that provide intangible benefits and experiences to customers while transforming their possessions. So it basically services provide intangible benefits and also experiences. So benefits are what the services provide and the experience of the how a service is provided.

So customers while transforming the position that position might be there certain products or the position can be their own minds which they bring to say lecture or to a dance ex possessions or drama and their minds are transformed. So services of those activities that provide benefits and experiences to customers while transforming their possessions.

(Refer Slide Time: 02:02)

Service/Product Bundle

(Collier, 1994)

Element	Core Goods Example	Core Service Example
Business	Custom clothier	Business hotel
Core	Business suits	Room for the night
Peripheral Goods	Garment bag	Bath robe
Peripheral Service	Deferred payment plans	In house restaurant
Variant	Coffee lounge	Airport shuttle

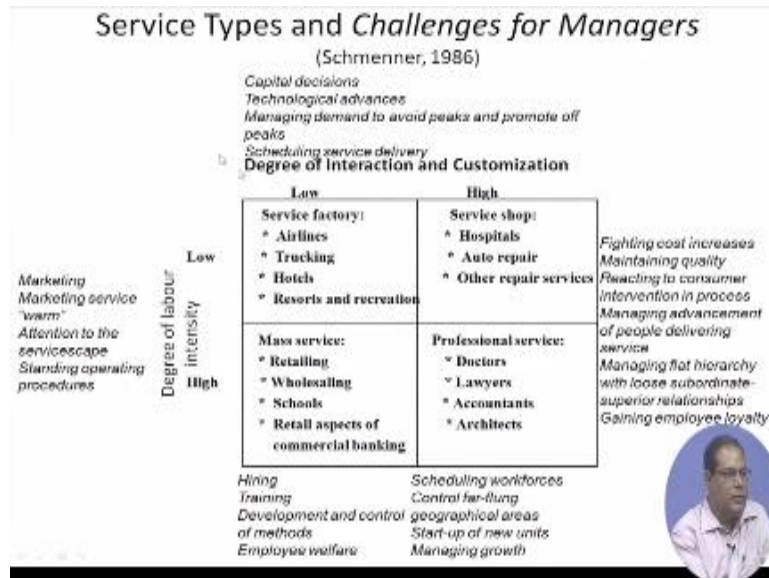


So we look at the service product bundle. So here the core goods and core service examples are given. So the element would be a business and the core good supplier is a custom clothier and core service example is a business hotel. The core element is a business suits, and the

room for the night. The peripheral goods are garment bag or bathroom. The peripheral services are deferred payment plans or in house restaurant and the variants are coffee lounge or the airport shuttle.

So for different kinds of goods and services there are these different elements like business, core, peripheral goods, peripheral service and the variants.

(Refer Slide Time: 02:52)



So what are the service types and challenges for managers? So the service types are different types of services which the Schmenner has given in 1986. So there is a degree of labour intensity and degree of interaction and customization. So the degree of labour intensity may be low or high and the degree of interaction and customization may be low or high. So in a quadrant where the intensity is low as well the interaction and customization is low there we have service factory.

Then we have the degree of labour intensity to be low and the degree of interaction to be high so here we have the service shop like the hospitals, auto repair, other repair services etc. Then we have the degree of labour intensity as high and the degree of interaction and customization as low so those are mass services. We have retaining, wholesaling, schools, retail aspects of commercial banking etc. and high interaction and high labour intensity.

These are professional services that doctors, lawyers, accountants and architects. So the marketing of service of attention to the servicescape, standing operating procedures. These become important for the labour intensity part of the services and in the low services there are

capital decision, technological advances, managing demand to avoid peaks and promote off peaks, scheduling the service deliver.

These are about the interaction and customization. Then we have the fighting cost increases, maintaining quality, reacting to consumer intervention in process, managing advancement of people delivering services, managing flat hierarchy with loose subordinate superior relationship, gaining employee loyalty. So these are all part of the high side of the interaction and customization.

And in the mass service we have hiring, training, development and control of methods, and employee welfare, and in the professional service we have scheduling workforces, control far-flung geographical area, start up of new units and managing growth. So these are part of the professional services.

(Refer Slide Time: 05:40)

The Service Package

(Fitzsimmons & Fitzsimmons, 2006)

- **Supporting Facility:** The physical resources that must be in place before a service can be sold. Examples are golf course, ski lift, hospital, airplane.
- **Facilitating Goods:** The material consumed by the buyer or items provided by the consumer. Examples are food items, legal documents, golf clubs, medical history.
- **Information:** Operations data or information that is provided by the customer to enable efficient and customized service. Examples are patient medical records, seats available on a flight, customer preferences, location of customer to dispatch a taxi.
- **Explicit Services:** Benefits readily observable by the senses. The essential or intrinsic features. Examples are quality of meal, attitude of the waiter, on-time departure.
- **Implicit Services:** Psychological benefits or extrinsic features which the consumer may sense only vaguely. Examples are privacy of loan office, security of a well lighted parking lot.

Then the service package. So this has been written by Fitzsimmons and Fitzsimmons in 2006 and there is the supporting facility. So these are the physical resources that must be in place before a service can be sold. The examples are golf course, ski lift, hospital, airplane etc. The facilitating goods like the material consumed by the buyer or items provided by the consumer.

So facilitating goods are examples are food items, legal documents, golf clubs, medical history. These are the facilitating goods towards service. Then the information provider, so operations data or information that is provided by the customer to enable efficient and

customized service. Examples are patient medical records, seats available on the flight, customer preferences, location of customer to dispatch a taxi.

So these are the information part of the services. This information has to be provided for the service to be delivered. Then there are explicit services, benefits readily observable by the senses. The essential or intrinsic features. Examples are the quality of meal, attitude of the waiter, on time departure. So these are the explicit services. And then implicit services are psychological benefits or extrinsic features which the consumer may sense only vaguely. Examples are the privacy of lean office, security of a well lighted parking lot. So these are the implicit services.

So the service package consists of the supporting facility, facilitating goods, information, explicit services and implicit services.

(Refer Slide Time: 07:26)

Characteristics of Goods and Services

(Zeithaml, Parasuraman, and Berry, 1985)

Goods	Services
	Primary characteristics
Tangible	Intangible
Production separate from consumption	Simultaneous production and consumption
	Secondary characteristics
Standardized	Variable
Nonperishable	Perishable

Then we come to the characteristics of goods and services or other characteristics of the services. So this Zeithaml, Parasuraman and Berry have written about in 1985 as this various 4 important characteristics of services. Now here we have divided those characteristics into 2 major types that is the primary characteristics and secondary characteristics. The services are basically intangible whereas goods are tangible and in goods the production is separate from that of consumption that in the case of services.

There is simultaneous production and consumption. This means that the customer and the producer of the service have to interact with each other so that production and consumption

are simultaneous. Then we have the secondary characteristics. These are for goods, goods can be standardized, but services are variable that means the same person can provide different types of services or different levels of services.

And therefore the services can be variable also 2 different service providers will provide 2 different types services. So therefore services are variable in nature. And then these are non-perishable, that when services are perishable. That means once the service providers staffs providing the service the service cannot be consumed anymore. So services are perishable.

So this secondary characteristics of variability and perishability. Actually is derived from the primary characteristics of simultaneous production and consumption and therefore these are called the secondary characteristics of services.

(Refer Slide Time: 09:12)

Implications of Intangibility

Implications
Services cannot be inventoried.
Services cannot be patented.
Services cannot be readily displayed or communicated.
Pricing is difficult.
Solutions
Use tangible cues to communicate the features of a particular service.
Stimulate, manage and promote word-of-mouth communications.
Create strong branding.
Use activity based costing approach to help set prices.

So what the implications of the services. So the implications of the characteristics of services like implication of intangibility. So the implications are the services can be inventoried. That means they cannot be stock at some place, in order to be deliver later. Services cannot be patented, services cannot be readily displayed or communicated and the pricing of the services are difficult.

What are the solutions to this implications? So use tangible cues to communicate the features of a particular service. Stimulate managers and promote word of mouth communications. Create strong branding and use activity based costing approach to help set pries of the services. So these are the implications of intangibility.

(Refer Slide Time: 10:06)

Implications of Simultaneous Production and Consumption

Implications
Customers participate in and affect the transaction.
Customers affect each other.
Employees affect the service outcome.
Service outcome depends on the interaction between employees and customers.
Decentralization of production may be essential.
Mass production is difficult.

Solutions
Employees must be selected and trained to deliver superior quality service during interactions with the customers.
Allow other customers to influence positively.
Disallow other customers to influence negatively.
Achieving standardisation (mechanization) to the extent possible and acceptable to customers.
Focus on personal attention while providing customized services.
Use multi-site service delivery locations.



Then the implications of simultaneous production and consumption. So these are customer participation in and affect the transaction because the production and consumption take place when both the customer and the service provider are present. The customer affects each other. So if one of the customers is shouting out his or her difficulties in the servicescape. Then other customers also became affected and this start pursuing the service provider as a as what the other customers has been shouting about.

Employees affect the service outcome because the employees are always have to be there for the interaction between them and the customers for production and consumption of services. Service outcome depended on the interaction between employees and customers. So the the interaction between employees and customers are good then the service outcome is also going to be good.

And the decentralization of production may be essential and mass production is difficult in case of services. Although some amount of mass production is done in case of television services or in case of the theater services, but very large production or services is difficult. Large scale production or services is difficult. What are the solutions the employees must be selected and trained to deliver superior quality service during the interactions with the customers?

Because the services are provided at the time of interactions therefore the service providers have to be selected and train to deliver superior quality. Allow other customer to influence

positively. So keep all the customers happy in the servicescape and if somebody has found that the services are good then request those customers to write about the service in a book.

So which can be kept there for the perusal of other customer. Disallow other customer to influence negatively. So if particular customer is agree with the service and actually starts a rockers about that service then it is better to shortly urgently call the customer away from the servicescape and then try to solve these are problem. Achieving standardisation or mechanisation to the extent possible and acceptable to customers.

So because service outcomes depend on the interaction between employees and customers. Therefore some kind of standardization or mechanization can be done to the extend possible and acceptable to customers just like the ATMs in the banks. Focus on personal attention while providing customized services and use multi-site service delivery locations for mass production.

(Refer Slide Time: 13:23)

Implications of Variability

Implications
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.
Solutions
Stress upon standardisation. Focus on employee training, performance evaluation and internal marketing. Industrialize service, i.e. provide pre-packaged standard offerings like tour packages (Levitt (1972 and 1976). Provide customized services and make it part of the value proposition



Implications of variability. So implications are the 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. And the solutions are that one has to stress upon standardisation, focus on employee training, performance evaluation and internal marketing.

Industrialize service that is pre packages standard offerings like tour packages etc. as Levitt has written about in 1972 and 76 and provide customized services and make it part of the value proposition.

(Refer Slide Time: 14:11)

Implications of Perishability

Implications
Difficult to synchronize supply and demand. Services cannot be returned or resold. Services cannot be sampled.
Solutions
Match supply and demand (Sasser, 1976). Recover the service in case of errors. Allow customers to sample part of the service being currently provided.

Then we come to the implications of perishability which is the fourth characteristic of services. That implications are that it has difficult to synchronize supply and demand. Services cannot be returned or resold. Services cannot be sampled. So the solutions are match supply and demand like Sasser has written about extensively in 1976. Recover the service in case of errors.

This is very important to recover the service in the case of errors, so that a customer goes at least satisfied or delighted after the recovery takes place. And some others have also return that if the recovery is done well then the supply of customer has a very good idea or very good impression about the service which has recover. Allow customer to samples part of the services being currently provided. So the supplier has to device a method by which the customers can sample part of the service which is delivered. So these are the solutions for perishability.

(Refer Slide Time: 15:29)

Strategic Service Classifications

(Lovelock, 1983)

Nature of the Service Act (Identify convenient forms of delivery)

		Direct Recipient of the Service	
		People	Things
Nature of the Service Act	Tangible actions	People's bodies: Health care Passenger transportation Beauty salons Exercise clinics Restaurants	Physical possessions: Freight transportation Repair and maintenance Veterinary care Janitorial services Laundry and dry cleaning
	Intangible actions	People's minds: Education Broadcasting Information services Theaters Museums	Intangible assets: Banking Legal services Accounting Securities Insurance

Then we come to strategic service classifications. So here nature of the service act identify convenient forms of delivery. So the nature of the act is tangible or intangible actions then direct recipient of the service are people or things. Then the people bodies like healthcare, passenger transportation, beauty salons etc. These are tangible actions on people's bodies.

Then there are tangible actions on things like the physical possessions, like freight transformation, repair and maintenance, veterinary care etc. Then intangible actions of people's minds like education, broadcasting, information services, theaters, museums etc. and intangible assets like banking, legal services, accounting, securities and insurance.

(Refer Slide Time: 16:23)

Relationship with Customers

Type of Relationship between Service Organization and Its Customers

		"Membership" relationship	No formal relationship
Nature of service delivery	Continuous delivery of service	Insurance Telephone subscription Electric utility Banking	Radio station Police protection Lighthouse Public Highway
	Discrete transactions	Long-distance phone calls Theater series tickets Transit pass Sam's Wholesale Airline frequent flyer	Restaurant Pay phone Toll highway Movie theater Public transportation

Then coming to relationship with customers. So types of relationship between service organisation and its customer. So there is the nature of service delivery and there is the continuous delivery of service and the discrete transactions. So there are the membership relationship and no formal relationships. So insurance, telephone subscription, electric utility, banking.

These are part of the membership relationship of continuous service delivery and the membership relationship with discrete transactions are like long distance phone calls, theater series tickets, transit pass, sam's wholesale and airline frequent flyer. And no formal relationships like radio station, police protection, lighthouse, public highway.

There is no formal relationship and but it is a continuous delivery of service and the discrete transactions are no formal relationship like restaurant, pay phone, toll highway, movie theater, public transportation etc. these are the discrete transactions with no formal relationships.

(Refer Slide Time: 17:34)

Customization and Judgment

		Extent to Which Service Characteristics Are Customized	
		High	Low
Extent to Which Personnel Exercise Judgment in Meeting Customer Needs	High	Surgery Taxi services Gourmet restaurant	Preventive health programs Education (large classes) Family restaurant
	Low	Telephone service Hotel services Retail banking Cafeteria	Public transportation Spectator sports Movie theater Institutional food service

Then customization and judgment. The extent to which service characteristics are customized and extent to which personnel and exercise judgment in meeting customer needs. So high characteristics are customized, so high customisation and high judgment that is surgery, taxi services, gourmet restaurant. Then service characteristics customized services low but its personnel exercise judgment is preventive health programs, education and family restaurant.

And then extent to the service characteristic are customers which is high and extent to which personnel exercise judgment is low like telephone service, hotel services, retail banking and cafeteria. And extents to the service characteristic are customized like public transportation, spectator sports, movie theater, and institutional food service. So in this manner the services can be broken down into different types of services based on customization and judgment.

(Refer Slide Time: 18:43)

Nature of Demand and Supply

Extent to which Supply Is Constrained	Extent of Demand Fluctuation over Time	
	Wide	Narrow
Peak demand can usually be met without a major delay	Electricity Telephone Police emergency Hospital maternity unit	Insurance Legal services Banking Laundry and dry cleaning
Peak demand regularly exceeds capacity	Tax preparation Passenger transportation Hotels and motels	Fast food restaurant Movie theater Gas station

Then based on nature of demand and supply. So the extent of demand fluctuation over time and extent to which supply is constrained. So peak demand can be usually made without a major delay and peak demand regularly exceeds capacity. So wide demand fluctuation and narrow demand fluctuation. So wide demand fluctuation are electricity, telephone, police emergency, hospital maternity unit, and narrow insurance, legal services, banking, laundry and dry cleaning.

Peak demand regularly exceeds capacity wide that is tax preparation, passenger transportation, hotels and motels. So this is demand fluctuation over time is wide and demand fluctuation over time is narrow that is fast food restaurant, movie theater, gas station etc.

(Refer Slide Time: 19:34)

Method of Service Delivery

Nature of Interaction between Customer and Service Organization	Availability of Service Outlets	
	Single site	Multiple site
Customer travels to service organization	Theater Barbershop	Bus service Fast-food chain
Service provider travels to customer	Taxi Pest control service	Mail delivery Emergency repairs
Transaction is at arm's length	Credit card company Local TV station	Broadcast network Telephone company

Then the method of service delivery. So availability of service outlets which is single site or multi site and nature of interaction between customer and service organization where customer travels to service organization, service provider travel to customer for the transaction is at arm's length. So single site, theater and barber shop where the customer travel to the service organization, taxi and pest control service.

Here the service provider reaches the customer and service transaction is at arm's length like credit card company and local TV station. Multi site customer travels to service organization like bus service or fast food chain and mail delivery or emergency repairs, here the service travels to the customer site and broadcast network or telephone company. These are the transaction at arm's length.

(Refer Slide Time: 20:35)

References

Collier, D. A. (1994). Customer Benefit Package, *The Service/Quality Solution*. (Illinois: Irwin), pp. 63-68.

Fitzsimmons, J. A. and Fitzsimmons, M. J. (2006). *Service Management: Operations, Strategy, Information Technology*. (New York: McGraw Hill/Irwin), pp. 18-30.

Levitt, T. (1972). Production Line Approach to Service, *Harvard Business Review*, 50 (5), pp. 41-52.

Levitt, T. (1976). Industrialization of Service, *Harvard Business Review*, 54 (5), pp. 63-74.

Lovelock, C. H. (1983). Classifying Services to Gain Strategic Marketing Insights, *Journal of Marketing*, 47 (3).

Sasser, W. E. Jr. (1976). Match Supply and Demand in Service Industries, *Harvard Business Review*, 54 (6), pp. 133-140.

Zeithaml, V. A., Parasuraman, A. and Berry, L. L. (1985). Problems and Strategies in Service Marketing, *Journal of Marketing*, 49 (2), pp. 33-46.

So we have studies something about the different types of service delivery, nature, the customization and judgment, relationship with customers, and nature of the service act. So I have sited some references and these are here for you to read. I hope this helps. Thank you.