

Introduction to Services

Scale of Market Entities

- The scale that displays a range of products along a continuum based on their tangibility, ranging from tangible dominant to intangible dominant
 - **Tangible dominant:** goods that possess physical properties that can be felt, tasted, and seen prior to the consumer's purchase decision
 - **Intangible dominant:** services that lack the physical properties that can be sensed by consumers prior to the purchase decision

The molecular model

- Identifies the tangible and intangible product components that need to be effectively managed.
- Helps understand customer needs and how to service them more effectively.
- Helps the organisation differentiate product offerings from competitors.

The Servuction model: a framework for understanding the consumer's experience

- **Servicescape:** the use of physical evidence to design service environments
 - Ambient conditions such as room temperature and music
 - Inanimate objects such as furnishings and equipment
 - Signs, symbols, and personal artefacts such as family pictures and personal collections
- **Contact personnel:** employee's other than the primary service provider who briefly interact with the customer
- **Service providers:** the primary providers of a core service - waiter or waitress, dentist and physician
- **Other customers:** customers who share the primary customer's service experience
 - The presence of other customers can enhance or detract from an individual's service experience
- **Invisible organisation and systems:** that part of a firm that reflects the rules, regulations, and processes upon which the organisation is based.
 - These may be invisible to the customer but still have a very profound influence on the consumer's overall service experience.

E-services

- **E-service:** an electronic service available via the Net that completes tasks, solve problems, or conducts transactions
- Many e-services have become more commonly known as **self-service technologies**
- Benefits:
 - **To the customer:** convenience, speed and ease of use and transforms the customer's online experience from a functional one to a more personalised experienced.
 - **To the firm:** improved efficiency reducing operating costs and allows greater customisation of services to the target consumers.

Sustainability

- **Sustainability:** the ability to meet current needs without hindering the ability to meet the needs of future generations in terms of economic, environmental, and social challenges
- Pursuing sustainable business practices allows companies to find areas of improvement and competitive advantages

Ethics

- Intangibility complicates the consumer's ability to objectively evaluate the quality of service provided
- Heterogeneity reflects the difficulty in standardisation and quality control
- Inseparability reflects the human element involved in the service delivery process

Fundamental Differences Between Goods and Services Demand and Capacity

Intangibility:

- **Tangible:** purchasing a pair of UGG boots
 - Pick up the shoes
 - Feel the quality of materials
 - View their specific style and colour
 - Sample the fit
- **Intangible:** purchasing a movie ticket
 - Entitles the consumer to an experience
 - Subjectively evaluated
- Marketing challenges created by intangibility
 - Lack of service inventories
 - Supplies of services cannot be stored to cope with periods of high demand.
 - Inability to maintain service inventories means constant supply and demand problems.
 - Not protected by patents
 - Not easily displayed or communicated
 - How do we get the consumers attention for something they cannot see – it has to be experienced.
 - Pricing is difficult
 - Typically, a product is priced on a cost-plus pricing method
 - The primary cost is labour
- Possible solutions to challenges
 - Use **physical evidence/tangible clues**
 - The physical characteristics that surround a service to assist consumers in making service evaluations, such as the quality of furnishings, the appearance of personnel, or the quality of paper stock used to produce the firm's brochure
 - Utilise **personal sources of information**
 - Sources such as friends, family, and other opinion leaders that consumers use to gather information about a service
 - Create a strong organisational image
 - Utilise an **activity-based costing (ABC)** approach
 - Costing method that breaks down the organisation into a set of activities into tasks, which convert materials, labour, and technology into outputs

Inseparability:

- Marketing challenges created by inseparability
 - The service provider is physically connected to the service
 - Service providers are evaluated based on their use of: language, clothing, personal hygiene and interpersonal communication skills
 - Customers are involved in the production process
 - Involvement may vary
 - The customer has a direct impact on the:
 - Type of service desired
 - Length of the delivery service
 - Cycle of service demand
 - Service factories must be built with consumers' presence in mind
 - They are a tangible clue in the formation of the consumers perceptions about the service quality

- **Other customers** are involved in the production process (shared experience)
 - Must manage different market segments with different needs within a single service environment
 - Other customers' presence and actions can negatively or positively affect the customer's experience e.g. Restaurant experience.
- The mass production of services presents special challenges
 - An individual service provider can produce only a limited supply
 - The consumer is involved in the production process
- Possible solutions to challenges
 - Strategic selection and training of public contact personnel
 - Select for superior communication and interpersonal skills
 - Train in "soft" management skills: reliability, responsiveness, empathy, assurance and managing the tangibles that surround the service
 - Develop strategies to manage consumers
 - The goal is to minimise the negative aspects and maximise the positive aspects of other customers
 - Develop multisite locations
 - Limit the distance the consumer must travel to purchase the service
 - E.g. Multiple branches or Mobile services

Heterogeneity

- A key difference between goods and services is **heterogeneity** – the variation in consistency from one service transaction to another.
- Major challenge posed by heterogeneity in a service is that service standardisation and quality control are difficult to achieve. This is linked to the inseparability characteristic of services.
- Marketing challenges created by heterogeneity
 - Standardisation and quality control are difficult to achieve because;
 - Variations in employees
 - Variations in same employee (mood changes, wellness, tiredness)

Possible solutions to challenges

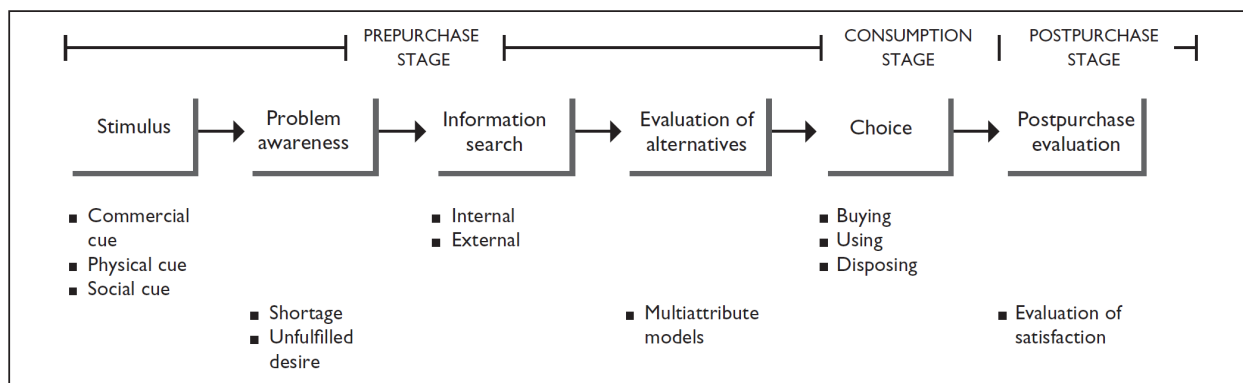
- Pursue a **customisation** strategy
 - Taking advantage of the variation inherent in each service encounter by developing services that meet each customer's exact specifications
 - Downsides:
 - Customers may not be willing to pay the higher prices associated with customised services
 - The speed of service delivery may be an issue
 - Customers may not be willing to face the uncertainty
- Pursue a **standardisation** strategy
 - Through intensive training of providers
 - By replacing human labour with machines

Perishability

- **Perishability** reflects the challenge that services cannot be saved, their unused capacity cannot be reserved, and they cannot be inventoried.
- The inability to create an inventory causes difficulties for the marketing of services as production and consumption cannot be separated in time and space. They occur simultaneously.
- Marketing challenges:
 - Matching supply and demand
 - Demand exceeds supply of service available
 - Demand exceeds optimal supply of service available
 - Demand is below optimal supply levels
 - Demand and supply are at optimal levels
- Possible solutions to challenges
 - Demand strategies
 - Utilise **creative pricing** strategies to smooth demand
 - Early bird specials
 - Implement a **reservation system**
 - The customer has reduced risk and wait time
 - The firm can prepare in advance for known quantity of demand
 - Shift demand to **complimentary services**
 - Reduce perceived wait time for core service
 - Develop nonpeak demand periods
 - Utilise non-peak periods to prepare for peak periods
 - Appeal to different market segments with different demand patterns
 - Supply strategies
 - Utilise part-time employees
 - Allows flexibility and lower labour costs
 - Sometimes causes consumers to associate the firm with lower job skills and lack of motivation and organisation commitment
 - Share capacity
 - Permits the co-op to expand its supply of service as a whole
 - Prepare in advance for expansion
 - Build current facilities with future expansion needs in mind
 - Saves time and money in reacting to demand pressures
 - Utilise **third parties**
 - Example: travel agency assisting airline customers
 - May expose customers to competitive offerings
 - Increase **customer participation**
 - Examples: self-serve fountain drinks, “salad bar,” ATM, self-service gas pump

Services Consumer Behaviour

Consumer decision process model



Situational influences

- There are four main *types* of situations:
 - Communication: Where? Alone or with others? Surrounding noise?
 - Purchase: Where? Alone or with others? In a hurry?
 - Usage: With guests or alone? For pleasure or for work?
 - Disposal: Before the next purchase? Trade-ins? After the purchase, e.g. packaging
- There are five *dimensions* within situations:
 - Physical surroundings
 - Social surroundings
 - Temporal perspectives
 - Task definition
 - Antecedent states

Ritual situations

- Socially defined ritualised and/or symbolic behaviours
- Important to marketers as they define consumption, e.g. anniversaries, seasonal gifts
- Traditions and rituals being continued and developed, e.g. Valentine's Day

The pre-purchase stage: problem awareness

- Shortage (a need)
- Unfulfilled desire (a want)

Consumers are problem solvers

- Problem solving involves resolving a difference between the situation consumers are in (e.g. hungry) and would like to be in (e.g. full).
 - Actual versus desired state
 - Think of consumers as buying satisfaction to *problems* as opposed to particular products.

Pre-purchase stage: information search

- Internal search: a passive approach to gathering information in which the consumer's own memory is the main source of information about a product
- External search: a proactive approach to gathering information in which the consumer collects new information from sources outside the consumer's own experience
- The importance of personal sources of information:
 - Mass advertising is less effective
 - Word-of-mouth references rule
 - Target opinion leaders