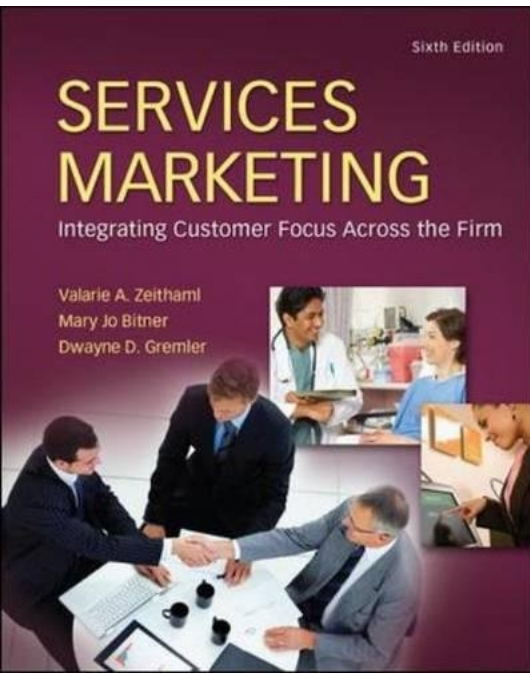


Services Marketing

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Introduction to Services (Chapter 1)



Outline

- ❖ **Understanding the Concept of Service**
 - ❖ **The Services Marketing Triangle**
 - ❖ **The Services Marketing Mix**
 - ❖ **The Gaps Model of Service Quality**
 - ❖ **The Five Dimensions of Service Quality**
-
- **REQUIRED READING: Chapters 1 & 2 of Services Marketing; integrating Customer Focus Across the Firm 6/e by Zeithaml, Bitner & Gremler**

UNDERSTANDING THE CONCEPT OF SERVICE

- A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not result in the ownership of any of the factors of production.
- Services are economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in – or on behalf of – the recipient of the service.
- Services lie at the very heart of economic activity in any modern, industrialised economy. Economic activity flows between three principal sectors of an economy; *Extractive* (Mining and Farming), *Manufacturing* and *Service*.

- **The service sector itself can be divided into five subgroups;**
 - i. Business Services*** – Consulting, Finance, Banking, Design etc.
 - ii. Trade Services*** – Retailing, Maintenance, Construction, Repair etc.
 - iii. Infrastructure Services*** – Communications, Transportation, Energy, Water etc.
 - iv. Social / Personal Services*** – Restaurants, Hospitality, Health Care, Entertainment etc.
 - v. Public Administration*** – Education, Government, Security etc.

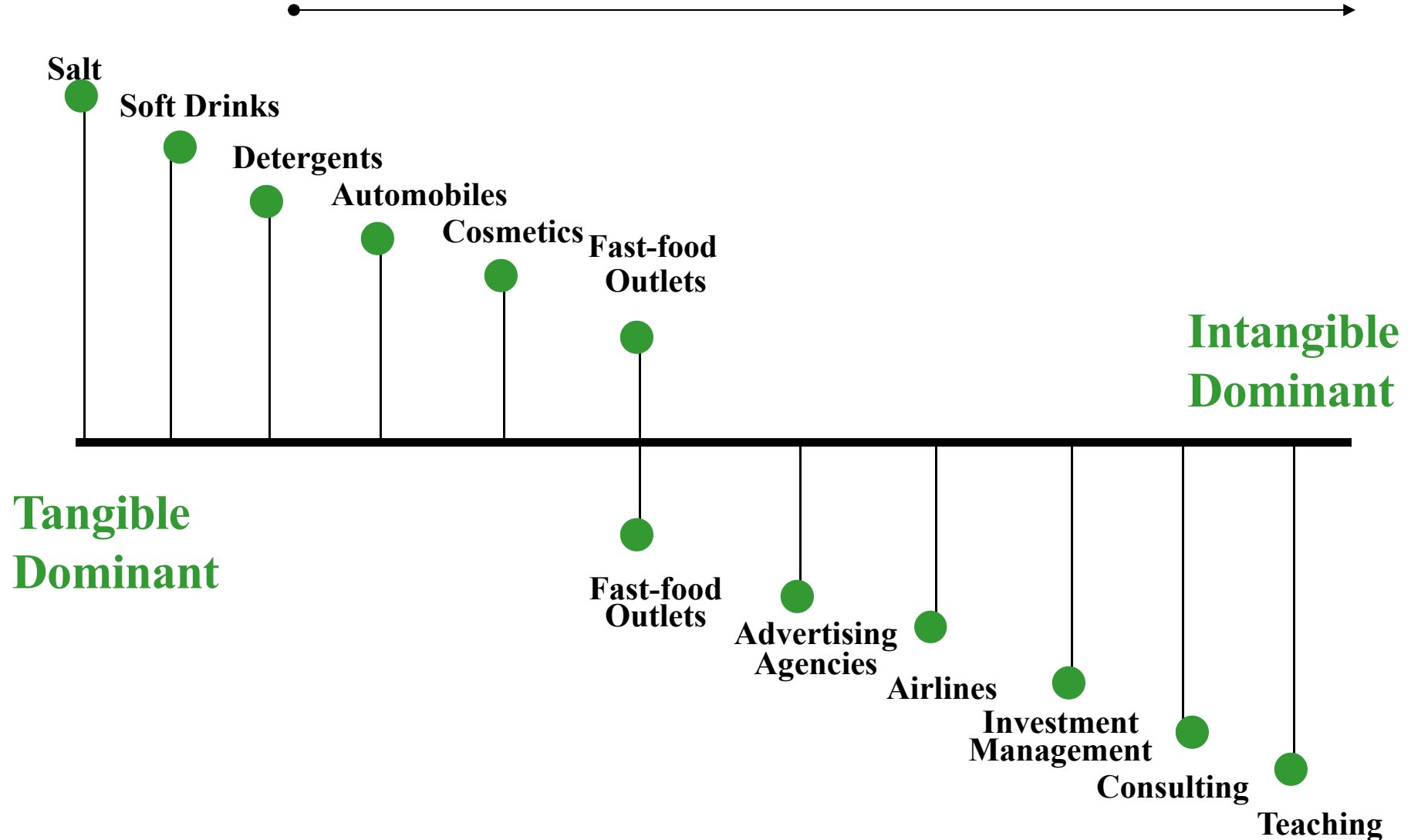
****Infrastructure Services are the essential links between the sectors of the economy and are a prerequisite for an economy to successfully industrialise.***

- **Inherent differences between goods and services exist and these differences result in unique, or at least different, management challenges for service businesses and for manufacturers that offer services as a core offering. These differences can be clustered under four main headings; *Intangibility; Heterogeneity; Simultaneity; Perishability***
- **Because of these basic differences between goods and services, marketers of services face some very real and distinctive challenges. The challenges revolve around understanding customer needs and expectations of service, tangibilising the service offering, dealing with a myriad of people and delivery issues and keeping promises made to customers.**

| Goods | Services | Resulting Implications |
|--------------------------------------|---|--|
| Tangible | Intangible | Services cannot be inventoried. Services cannot be easily patented. Services cannot be readily displayed or communicated. Pricing is difficult. |
| Standardized | Heterogeneous | Service delivery and customer satisfaction depend on employee and customer actions. Service quality depends on many uncontrollable factors. There is no sure knowledge that the service delivered matches what was planned and promoted. |
| Production separate from consumption | Simultaneous production and consumption | Customers participate in and affect the transaction. Customers affect each other. Employees affect the service outcome. Decentralization may be essential. Mass production is difficult. |
| Nonperishable | Perishable | It is difficult to synchronize supply and demand with services. Services cannot be returned or resold. |

Source: A. Parasuraman, V.A. Zeithaml, and L. L. Berry, "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing* 49 (Fall 1985), pp. 41–50.

Tangibility Spectrum

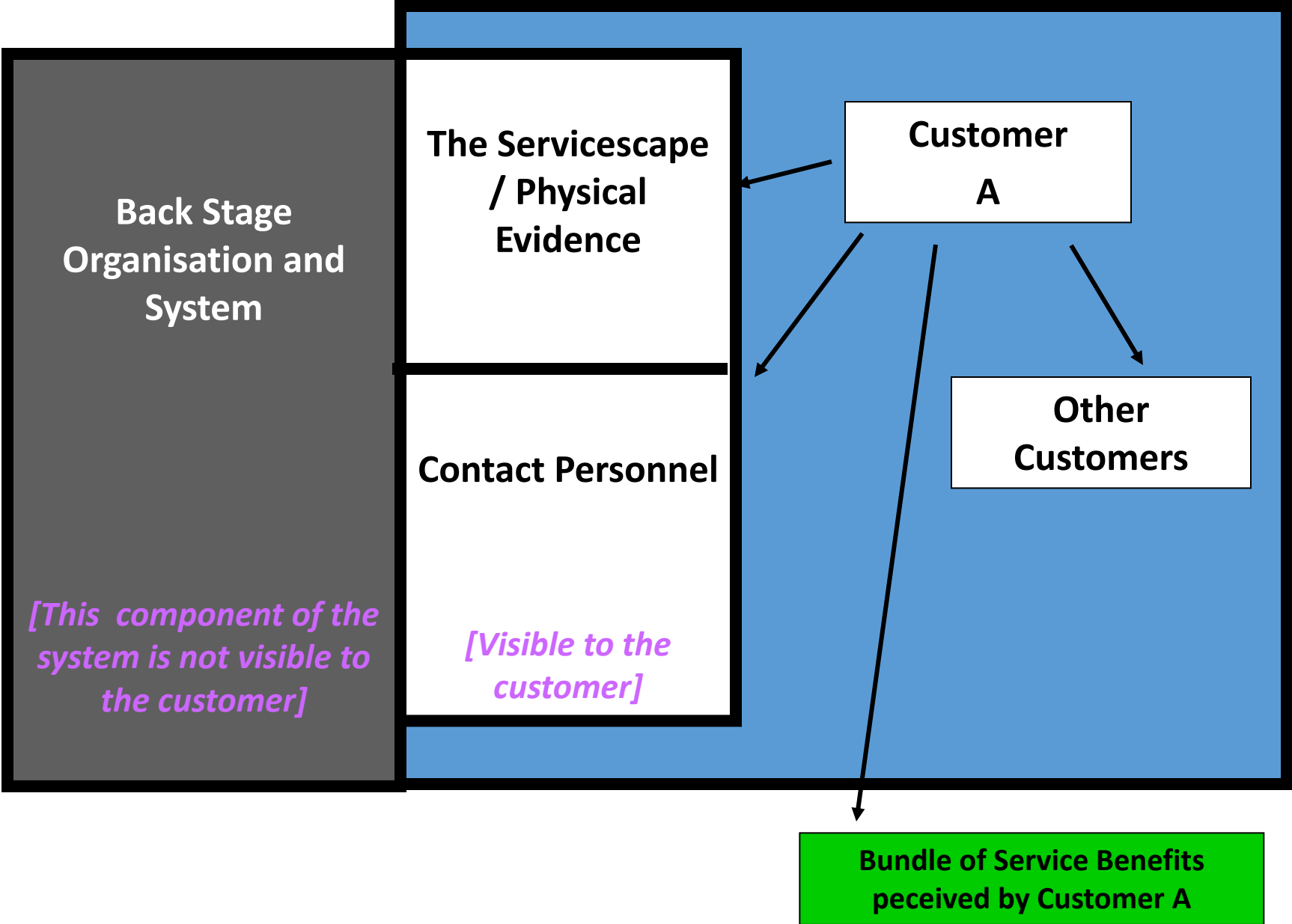


- **Answers to questions such as those that follow continue to challenge service marketers;**
 - ***How can service quality be defined and improved when the “product” is intangible and non-standardised?***
 - ***How can new services be designed and tested effectively when the service is essentially an intangible process?***
 - ***How can the firm be certain it is communicating a consistent and relevant image when so many elements in the marketing mix communicate to customers and some of these elements are the service providers themselves?***
 - ***How does the firm accommodate fluctuating demand when capacity is fixed and the service itself is perishable?***

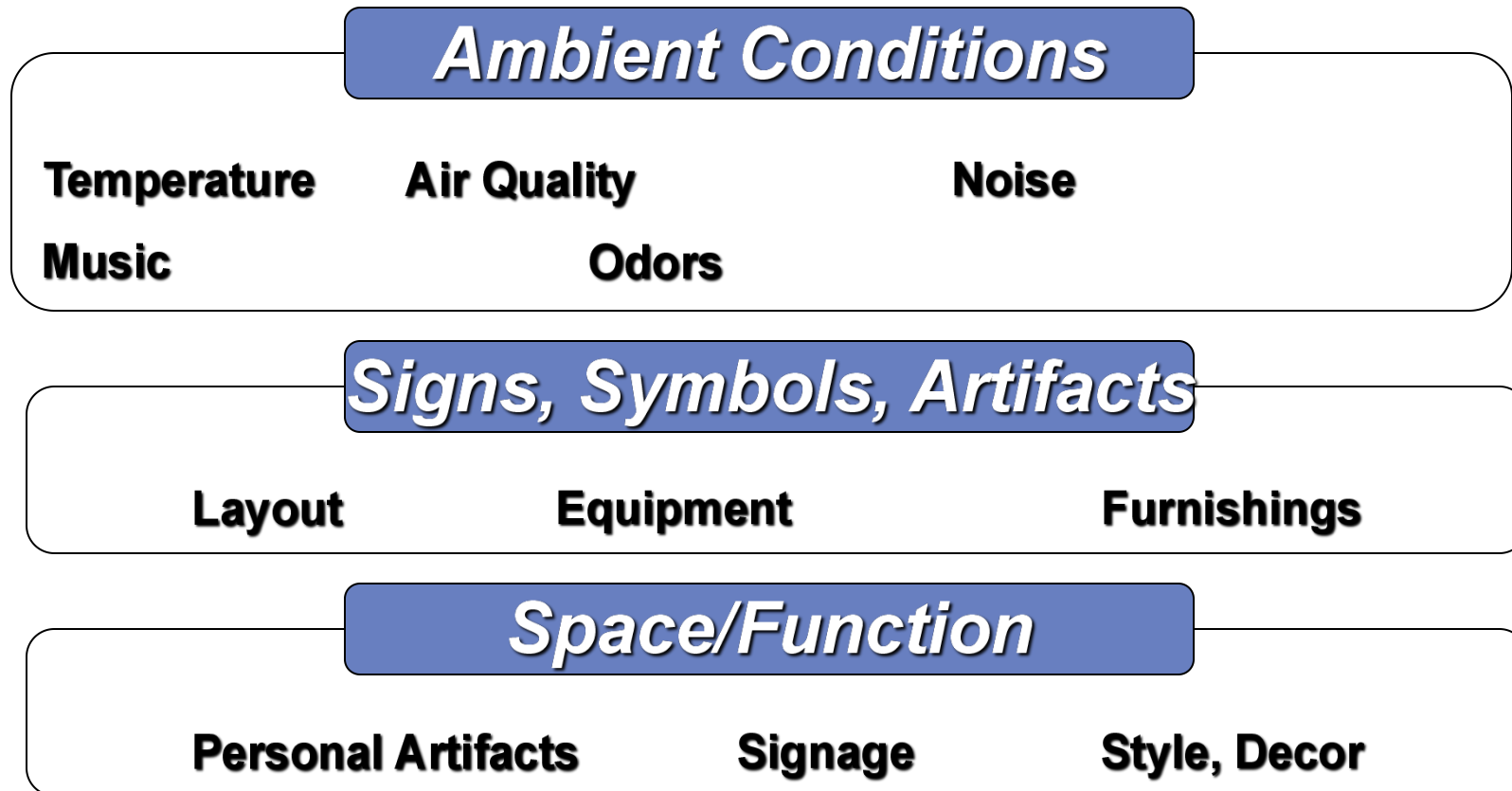
- ***How can the firm best motivate and select service employees who, because the service is delivered in real time, become a critical part of the product itself?***
- ***How should prices be set when it is difficult to determine actual costs of production and price may be inextricably intertwined with perceptions of quality?***
- ***How should the firm be organised so that good strategic and tactical decisions are made when a decision in any one of the functional areas of marketing, operations and human resources may have significant impact on the other two areas?***
- ***How can the organisation protect new service concepts from competitors when service processes cannot be legally patented?***

- ***How does the firm communicate quality and value to consumers when the offering is intangible and cannot be readily tried or displayed?***
- ***How can the organisation ensure the delivery of consistent quality service when both the organisation's employees and customers themselves can affect the service outcome?***

- The ***Service Package*** is defined as a bundle of goods and services provided in some service production and delivery environment. It consists of four features:
 - i. Supporting Facility*** - the physical resources that must be in place before a service can be offered.
 - ii. Facilitating Goods*** - the material purchased, consumed and / or items provided by the customer.
 - iii. Explicit Services*** - the benefits that are readily observable by the senses and consist of the essential or intrinsic features of the service.
 - iv. Implicit Services*** - psychological benefits that the customer may sense only vaguely/subconsciously.



The Servicescape - the inanimate, non-living physical evidence used to create the service environment



Boundary Spanning Personnel (BSPs) are the public face and “the permeable surface” of the service organisation

Apathy: DILLIGAD (Do I look like I give a damn)

Brush-off: Dismisses the customer completely

Coldness: Doesn't care what the customer wants

Condescension: You are the customer, you must be stupid

Robotism: Customers are inputs to be processed

Rulebook: Adheres to rules which make no sense

Runaround: Passes off to another service provider

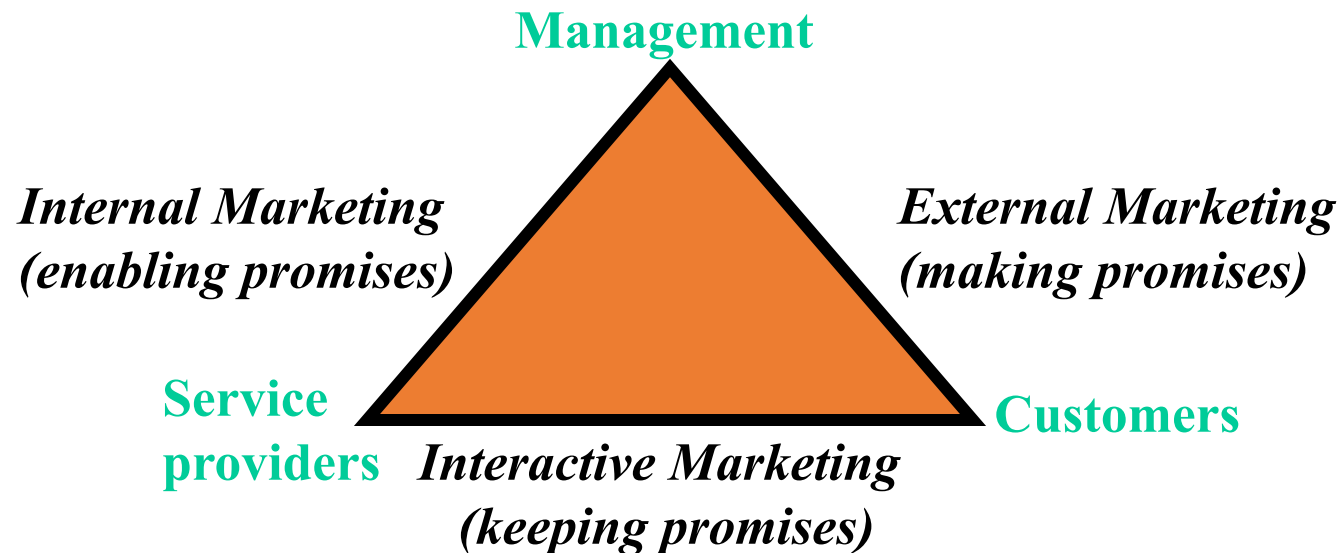
Other Customers – can enhance or detract from an individual's service experience through Active Influence (e.g. unruly customers, crying children) Passive Influence (e.g. customers who show up late for appointments).

Invisible Organization and Systems – People, Processes, Equipment, Procedures [Hard and Soft Technology]

THE SERVICES MARKETING TRIANGLE

- The Services Marketing Triangle shows the three interlinked groups that work together to develop, promote and deliver services.

Adapted from
Bitner 1995

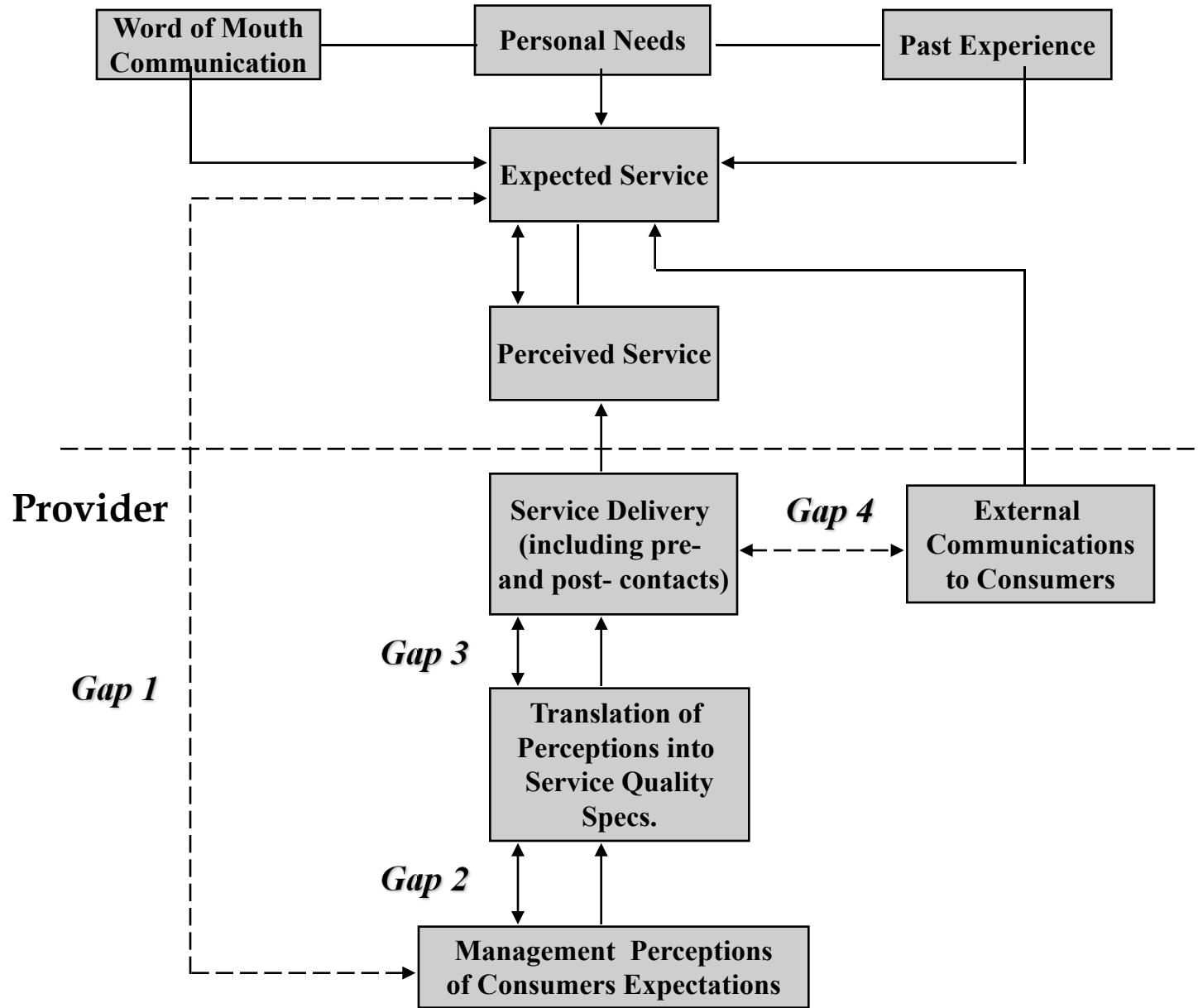


THE SERVICES MARKETING MIX

- **Acknowledgement of the implications of the specific characteristics of services has led service marketers to adopt the concept of an expended marketing mix for services;**
- * **Product,**
- * **Price,**
- * **Marketing Communications,**
- * **Logistics,**
- * **People,**
- * **Physical Evidence,**
- * **Process.**

- * **People;** All human actors who play a part in service delivery and thus influence the buyer's perceptions; namely, the firm's personnel, the customer, and other customers in the service environment.
- * **Physical Evidence;** The environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.
- * **Process;** The actual procedures, mechanisms and flow of activities by which the service is delivered - the service delivery and operating systems.

THE GAPS MODEL OF SERVICE QUALITY



- ❖ **Expected service \leq performance = satisfied customer**
- ❖ **Expected service $>$ performance = unsatisfied customer**
- ❖ **Expected service is a f (past experiences, marketing communications, peers, etc.)**
- ❖ **Performance = f (expected service, perceived service)**

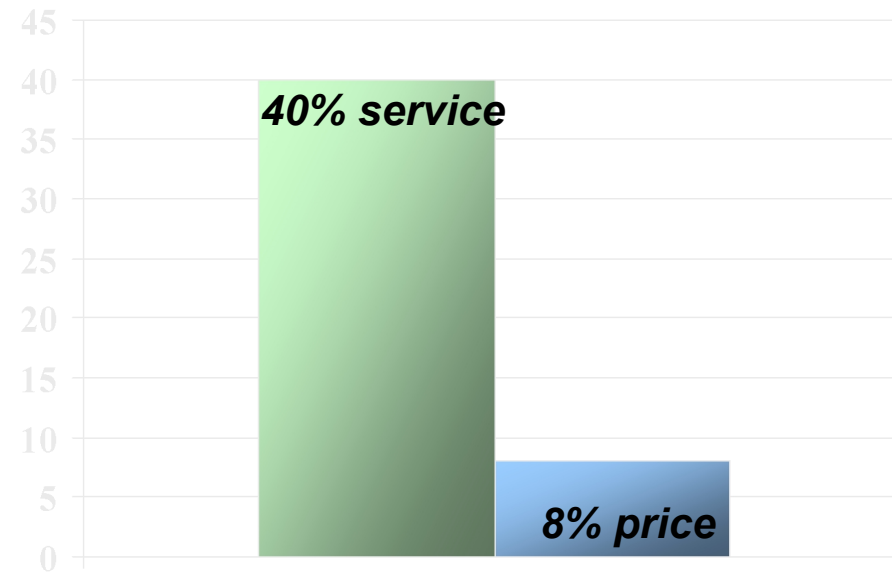
Managing customer satisfaction;

- ❖ **Perceived service, not actual service, is all that matters (*Perception is Reality*).**
- ❖ **Possible to manage expectations to produce satisfaction without altering the service.**

Importance of customer satisfaction;

- ❖ **Without customers the firm does not exist.**
- ❖ **Service businesses must engage in proactive customer satisfaction observation.**
- ❖ **Waiting for complaints is simply too slow.**

Why do people switch (or defect)?





- **1 in 4 unhappy customers switch**

- **1 in 27 unhappy customers complain**

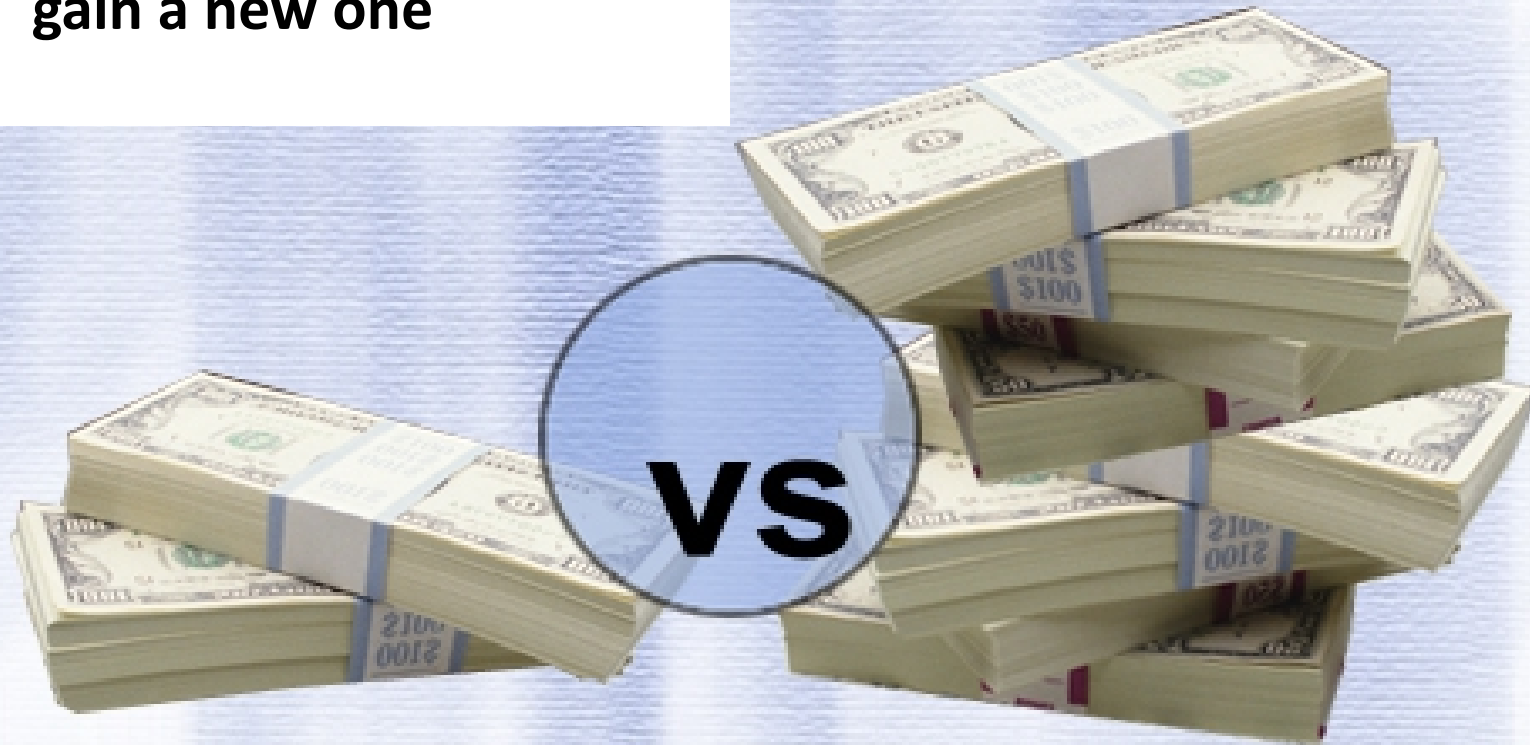
- **Unhappy customers tell 20 people**



- **Happy customers tell 4 people**



- It is easier and five to seven times cheaper to keep a customer than to gain a new one



- **Three Common Mistakes:**
 - **Customer service as cost rather than an investment.**
 - **Customer service is a constantly rising bar.**
 - **Failure to link customer satisfaction to the bottom lines.**



THE 5 DIMENSIONS OF SERVICE QUALITY



References:

- **Textbook:** Zeithaml, Valarie, Mary Jo Bitner, and Dwayne Gremler (2013), **Services Marketing** 6th International Edition, Irwin/McGraw-Hill Publishing. (Other editions will also work, but you are responsible to compare your edition to the 6th - because the syllabus was written for the 6th edition.)
- Printed cases will be provided each week and also will be posted on the Module Intranet page prior to seminars.

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