

CHAPTER 12: DESIGNING AND MANAGING SERVICES

Service is any act or performance one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

7Ps of services marketing

- Product
- Price
- Place
- Promotion
- Processes
- People
- Physical evidence

Service Industries are present every where:

Government sector

Private non-profit sector

Private business sector

Manufacturing sector

Retail sector

Categories of Service Offerings/Service mix

- 1) Pure tangible good - consists primarily of a tangible good such as soap, toothpaste, or salt with no accompanying services
- 2) Tangible good with accompanying services – Car, Computer, etc
- 3) Hybrid – When an offering involves both goods and services at same time – In restaurant
- 4) Major service with accompanying minor goods and services – Air travel (major service). Accompanying additional goods – Food in aircraft, Accompanying additional services – services provided by on-air staffs.
- 5) Pure service – Primarily an intangible service –Eg- legal services, accounting services, etc.

Classification of services

- 1) On the basis of skill requirement and expertise
 - a) Professional services
 - b) Skilled labour services
 - c) Unskilled labour services
- 2) On the basis of the end-user
 - a) Personal services
 - b) Business services
- 3) On the basis of the objectives of service providers
 - a) For-profit services
 - b) Non-profit services
- 4) On the basis of the ownership
 - a) Private services
 - b) Public services

5) On the basis of the presence of clients

a) High contact services

b) Low contact services

6) On the basis of type of processes involved in rendering services

The classification of services under this criteria varies as per the area (category) in which service provider belongs to

Example, If it is restaurant, then the type of services can be cafeteria services, fast food services, Buffet services, etc

7) On the basis of whether the services are provided by equipments or by the people

a) Equipment based services

b) People based services.

DISTINCTIVE CHARACTERISTICS OF SERVICES

1) Intangibility

Unlike physical products, services cannot be seen, tasted, felt, heard or smelled before they are bought.

Service companies can try to demonstrate their service quality through physical evidence and presentation. Like: Place, People, Equipment, communication material, symbol and price. This is done by the service providers to 'tangibilize the intangible'.

Let's take an example of a restaurant which delivers food fast.

Place – The interior and exteriors of a restaurant should be convenient and attractive.

People - Personnel should be busy, but there should be a sufficient number of employees to manage the work load.

Equipment – Like utensils, menu card, the kitchen, etc should look like “state of the art”

Communication material - Printed material, Web page contents, text and photos should suggest efficiency and speed.

Symbols – The restaurant's name and symbol should suggest and indicate about the fast service

Price – Should be such that the people should feel that the price is worth the fast service. Adding to this incentives if the delivery time crosses the prescribed limit.

2) Inseparability

Though physical goods are manufactured, put into inventory, distributed through multiple reseller, and consumed later, services are typically produced and consumed simultaneously. Service provider and client interaction is a special feature of services marketing.

3) Variability

The quality of services depends on who provides them, when and where and to whom, services are highly variable. Hence service providers offer service guarantees that may reduce the consumer perception of risk.

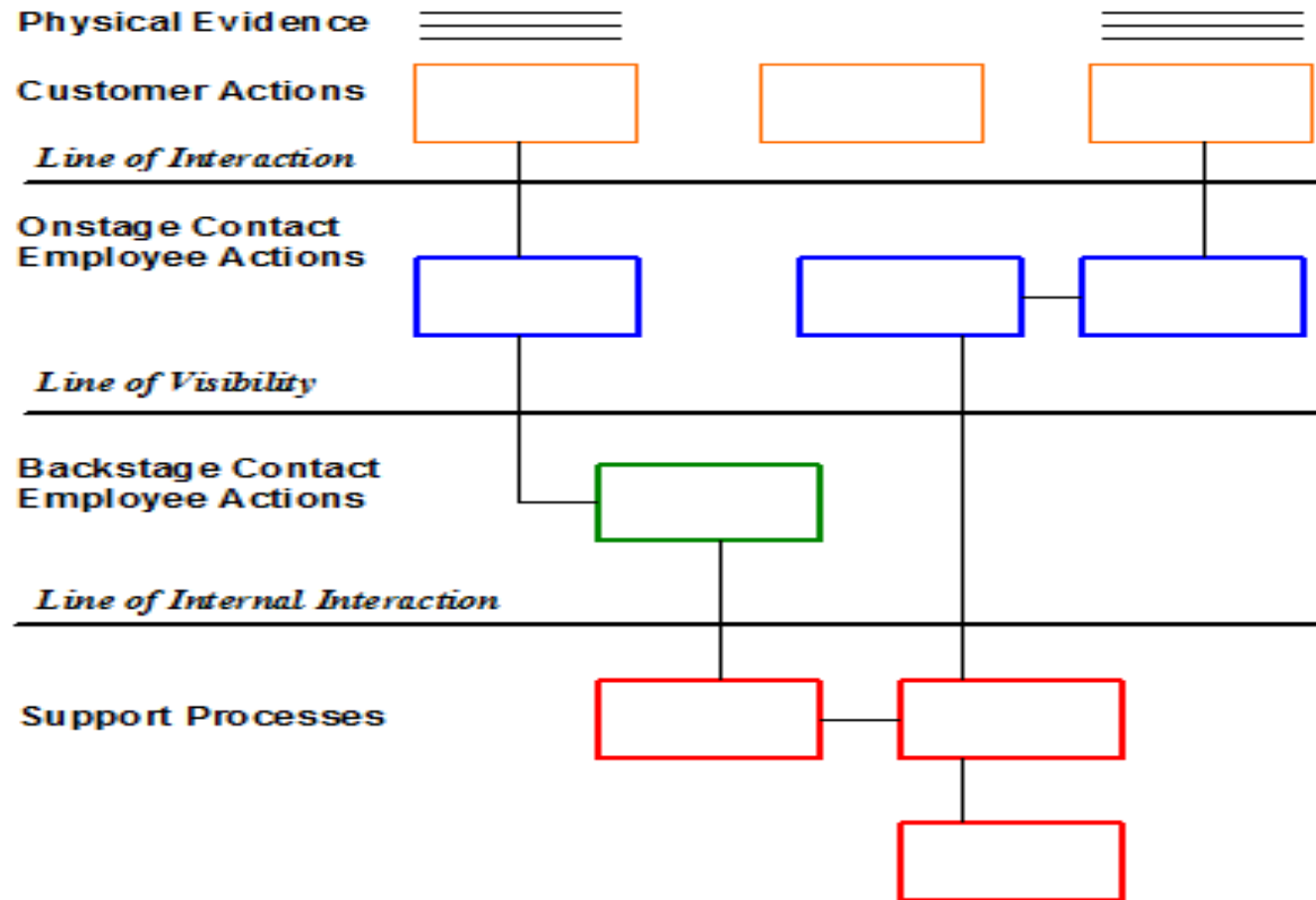
Three steps service firms can take to increase quality

- a) Invest in good hiring and training procedures
- b) Standardise the service-performance process throughout the organisation

A service blueprint can map out the service process, the points of customer contact and the evidence of service firm from customer's point of view.

- c) Monitor customer satisfaction

Service blueprint model



4) Perishability

services cannot be stored, so their perishability can be a problem when demand fluctuates. Hence the demand/yield management is critical.

Demand side strategy

- Differentiated pricing
- Non-peak pricing
- Complementary services
- Reservation systems

Supply side strategy

- Part-time employees
- Peak-time efficiency
- Increased consumer participation
- Shared services
- Facilities for future expansion

Marketing excellence with service marketing triangle

Here marketing excellence is required in three broad areas

1) External marketing

Marketing to end-users. Involves pricing strategy, promotional activities, and all communication with customers.

"Setting the Promise".

2) Internal marketing

Involves training, motivational, and teamwork programs, and all communication with employees so that the employees could deliver the service well.

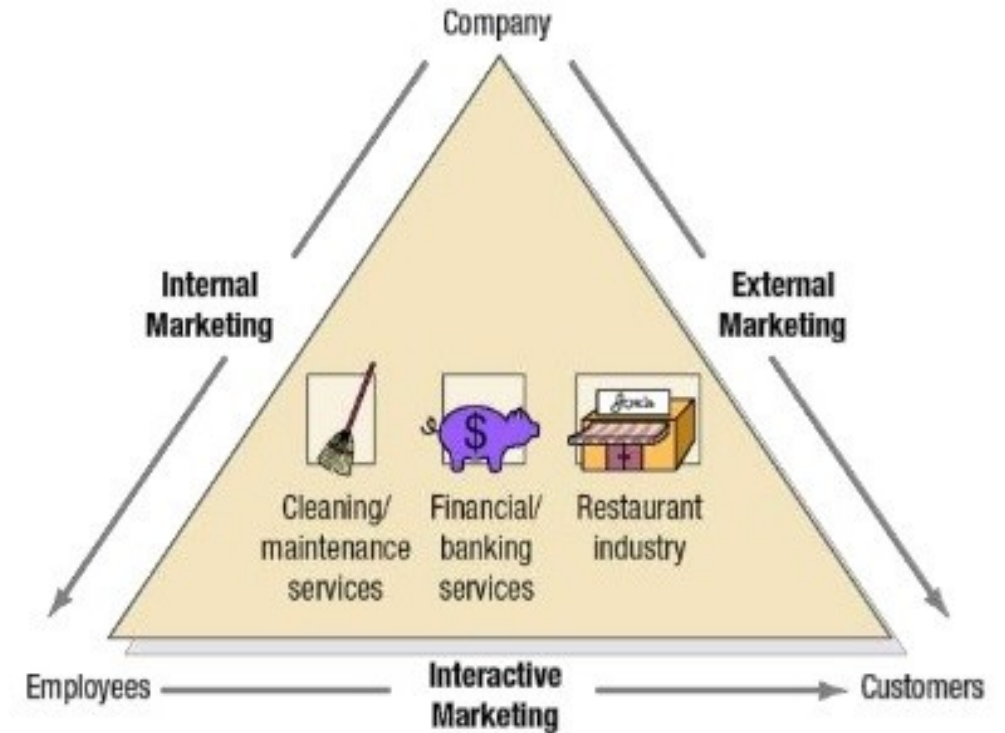
"Enabling the Promise"

3) Interactive marketing

This refers to the decisive moment of interaction between the front-office employees and customers. This step is very important, because if the employee falters at this level, all prior efforts made towards establishing and maintaining a relationship with the customer, would be wasted.

Service encounter/Moment of truth

"Delivering the promise"



Managing service quality

Factors leading to Customer Switching Behaviour

Pricing – High price, Increase of prices, Unfair pricing, Deceptive pricing

Inconvenience – Location/hours, Wait for appointment, Wait for service

Core service failure – Service mistakes, Billing errors, Service catastrophe

Service encounter failures – Uncaring, unresponsive, Impolite,
Unknowledgable

Response to service failure – Negative response, No response, Reluctant
response

Competition – Found better service

Ethical problems – Cheat, Unfair hard sell, Unsafe, Conflict of interest

Involuntary switching – Customer moved, Provider closed

Gaps model of service quality

Developed by A. Parasuraman, Valarie Zeithmal and LL Berry

Customers form service expectations from many sources like word of mouth, past experience, their own personal needs, etc. Most of the times they compare the perceived service with expected service. If the perceived service falls below the expected service, then customers will get disappointed.

Gap 1: Gap between consumer expectation and management perception of customer expectation

Causes: - Inadequate Marketing Research Orientation

- Poor of Upward Communication
- Insufficient relationship focus
- Inadequate service recovery

Gap 2: Gap between management perception and service-quality specifications

Causes: - Poor service design

- Absence of customer-driven standards
- Inappropriate physical evidence and servicescape

Gap 3: Gap between service quality specifications and service delivery

Causes: - Deficiencies in human resources policies

- Customers who do not fulfill roles
- Problems with service intermediaries
- Failure to match supply and demand

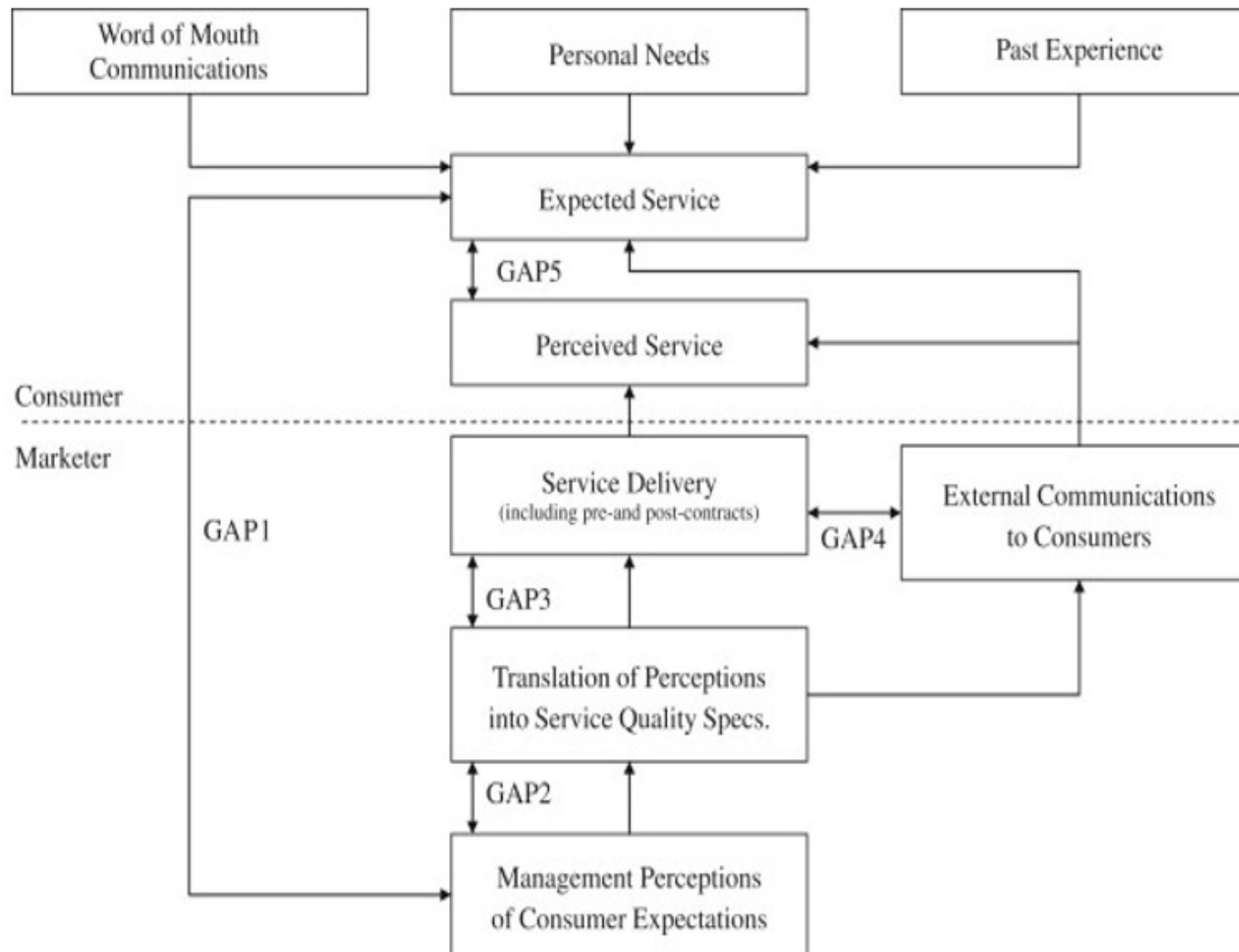
Gap 4: Gap between service delivery and external communications

Causes: - Lack of integrated services marketing communications

- Ineffective management of customer expectations
- Overpromising
- Inadequate horizontal communications

Gap 5: Gap between perceived service and expected service

Cause: - When the customer misperceives the service quality



Five determinants of service quality

After extensive research, Zeithaml, Parasuraman and Berry found five dimensions customers use when evaluating service quality. They developed a 21 item SERVQUAL scale was developed on the basis of these five factors.

Reliability - The ability to perform the promised service dependably and accurately

Responsiveness - The willingness to help customers and to provide prompt service

Assurance - The knowledge and courtesy of employees and their ability to convey trust and confidence

Empathy - The provision of caring, individualized attention to customer

Tangibles - The appearance of physical facilities, equipments, personnel and communication materials

Product support services

Product support services are becoming a major battleground for competitive advantage.

When designing service support programs, marketers must consider key customer concerns:

- 1) Concern regarding reliability and failure frequency
- 2) Downtime duration
- 3) Out-of-pocket costs – How much does the customer have to spend on regular maintenance and repair costs?

Marketers must design appealing and competitive service offerings that will attract new customers and even to retain the customers.

Service offerings should include:

Facilitating services

Value-augmenting services

Service contracts

Best Practices of top service providers

Strategic concept: Top service companies are “customer obsessed”. They have a clear sense of their target customers and their needs. They have developed a distinctive strategy for satisfying these needs.

Top-management commitment – focuses both on financial performances along with service performances

High standards: Best service providers set high service-quality standards

Profit Tiers: Varied level of services and offers for different levels of profit-tiers.

Monitoring systems: Auditing of the service performance of theirs as well as that of the competitors on a regular basis. They collect voice of customer (VOC) measurements to probe customer satisfiers and dissatisfiers.

Listening to the customers

Satisfying customer complaints

Efficient service recovery system

Self-service technologies: Are technological interfaces allowing customers to produce services independent of involvement of direct service employee. The intention is to make service transactions more accurate, convenient, economical and faster.

Satisfying employees

THANK YOU