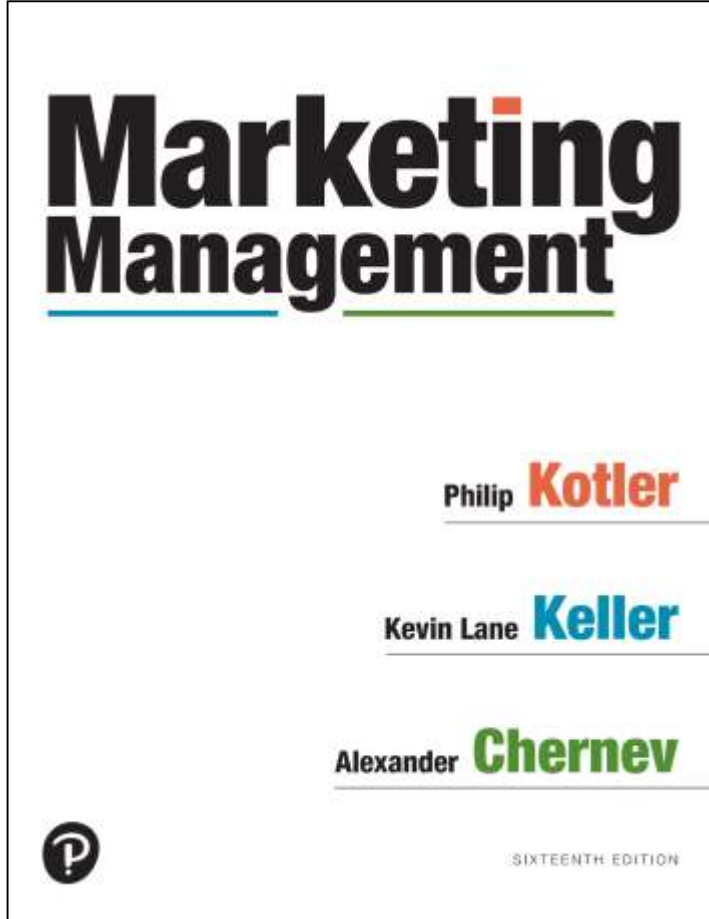


# Marketing Management

Sixteenth Edition



## Chapter 9

Designing and Managing  
Services

# Learning Objectives

- 9.1** Define the distinctive characteristics of services.
- 9.2** Explain the new realities that service firms face.
- 9.3** Identify the key strategies to achieve service excellence.
- 9.4** Explain how service firms can manage quality effectively.

# The Nature of Services

- Service
  - Any act or performance one party can offer to another that is essentially intangible and does not result in the ownership of anything



# The Service Aspect of an Offering

- A pure tangible good
- A tangible good with accompanying services
- A hybrid
- A major service with accompanying minor goods/services
- A pure service



# Characteristics of Services

- Intangibility
- Inseparability
- Variability
- Perishability



# Intangibility

- Services cannot be seen, tasted, felt, heard, or smelled
- “Tangibilize the intangible”
  - Place
  - People
  - Equipment
  - Communication material
  - Symbols
  - Price

# Inseparability

- Services are typically produced and consumed simultaneously

# Variability

- The quality of services depends on who provides them, when and where, and to whom
  - As such, services are highly variable



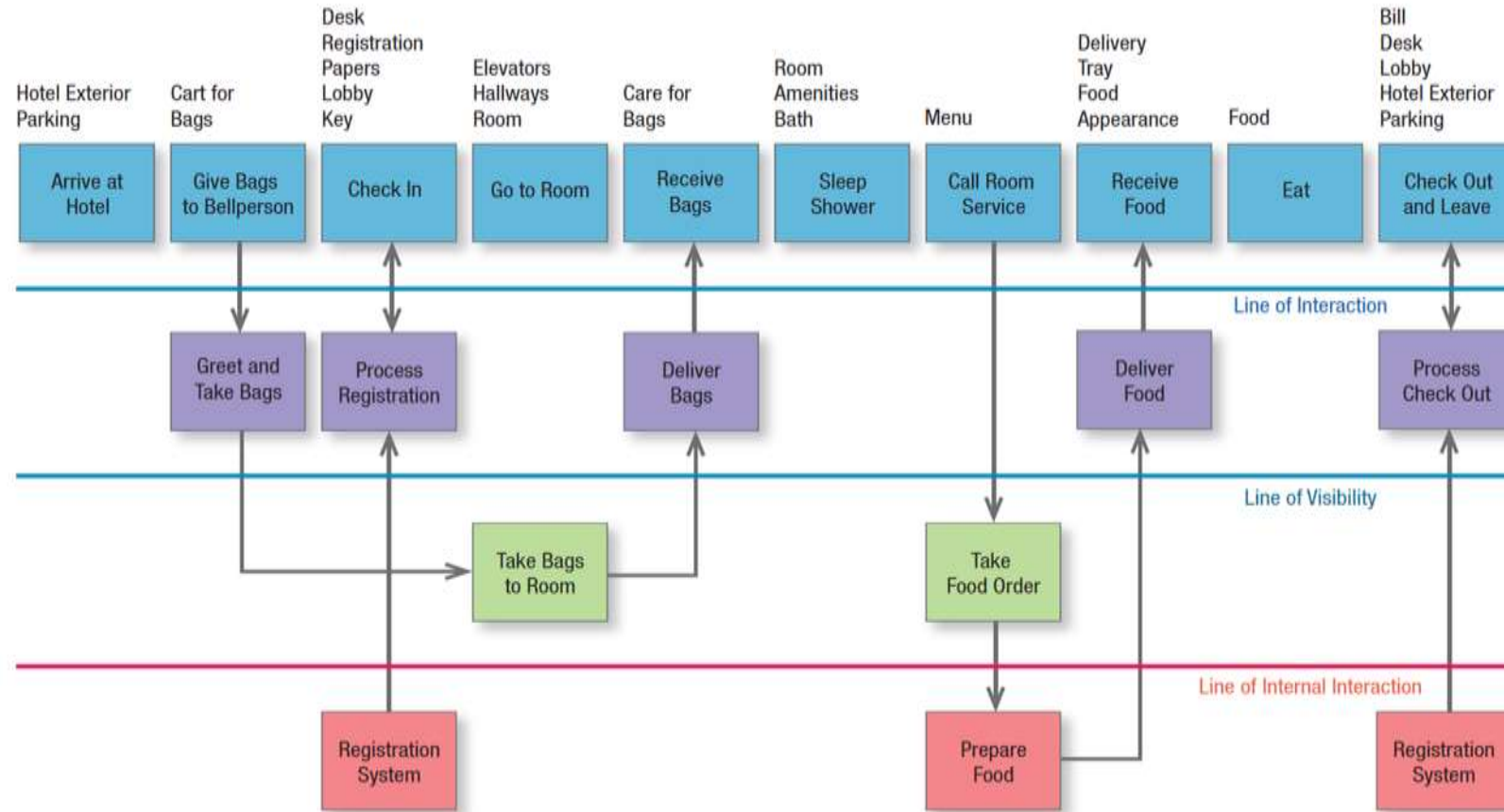


# Perishability (1 of 2)

- Services cannot be stored
  - **Yield pricing**



# Figure 9.1 Blueprint for Overnight Hotel Stay



# Perishability (2 of 2)

## Demand side

- Differential pricing
- Nonpeak demand
- Complementary services
- Reservation services

## Supply side

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

# New Services Realities

- Increasing role of technology
- Importance of the increasingly empowered customer
- Customer coproduction
- Need to engage employees as well as customers

# Increasing Role of Technology

- Fundamentally changing how value is delivered to customers
- Power to make service workers more productive



# Customer Empowerment

- Unbundled service choices
- Social media to spread the word

# Customer Coproduction (1 of 2)

- Active engagement in the service process
  - One-third of all service problems are caused by the customer