Chapter 11
Designing and Managing Services

Chapter Questions
- How are services defined and classified?
- How are services marketed, and how can service quality be improved?
- How do services marketers create strong brands?
- How can goods-producing firms improve customer support services?

Service
A service is any act of performance that one party can offer 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.

Nature of Services
- Service industry sectors
  - Government
  - Manufacturing
  - Retail
  - Business
  - Private nonprofit

Service Distinctions
- Equipment-based or people-based
- Service processes
- Client’s presence required or not
- Personal needs or business needs
- Objectives and ownership

Categories of Service Mix
- Pure tangible good; no service
- Tangible goods with some services
- Hybrid: equal part goods and services
- Major service with minor good
- Pure service; no tangible good
Nature of Services

Characteristics
- Intangibility
- Inseparability
- Variability
- Perishability

- Cannot be sensed before purchase
- Lack of trial means higher consumer risk
- Consumers rely on cues to draw quality inferences
- Marketers must try to "tangibilize the intangible"

Physical Evidence and Presentation

- Place
- People
- Equipment
- Communication
- Symbols
- Price

Nature of Services

Characteristics
- Intangibility
- Inseparability
- Variability
- Perishability

- Services are produced and consumed at the same time (air travel)
- Service providers and sometimes other customers become part of the service (restaurant)
- Strong preferences for service providers exist

Nature of Services

Characteristics
- Intangibility
- Inseparability
- Variability
- Perishability

- Quality control is critical
- Hiring the right people
- Standardizing service
- Monitoring satisfaction

Nature of Services

Characteristics
- Intangibility
- Inseparability
- Variability
- Perishability

- Services cannot be inventoried or otherwise stored
- Capacity/demand management is critical
- Demand-side strategies
- Supply-side strategies

Matching Demand and Supply

Demand Side
- Differential pricing
- Nonpeak demand
- Complementary services
- Reservation systems

Supply Side
- Part-time employees
- Peak-time efficiency
- Increased consumer participation
- Shared services
- Facilities for future expansion
Table 11.2 Factors Leading to Customer Switching Behavior

- Pricing
- Inconvenience
- Core service failure
- Service encounter failures
- Response to service failure
- Competition
- Ethical problems
- Involuntary switching

Differentiating Services

Primary Service Package
- Secondary Service Features

Developing Brand Strategies for Services

- Choosing brand elements
- Establishing image dimensions
- Devising branding strategy

Gaps that Cause Unsuccessful Service Delivery

- Gap between consumer expectation and management perception
- Gap between management perception and service-quality specification
- Gap between service-quality specifications and service delivery
- Gap between service delivery and external communications
- Gap between perceived service and expected service

Best Practices

- Strategic concept
- Top-management commitment
- High standards
- Self-service technologies
- Monitoring systems
- Satisfying customer complaints
- Satisfying employees

Customer Worries

- Failure frequency
- Downtime
- Out-of-pocket costs
Managing Product Support Services

- Facilitating services
- Value-augmenting services
- Optional service contracts