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An advertisement showing the Trakker team at work

## Categories of Service Mix

The service component can be a minor or a major part of the total offering. We distinguish five categories of offerings:

1. **Pure tangible good**—The offering consists primarily of a tangible good such as soap, toothpaste, or salt. No services accompany the product.
2. **Tangible good with accompanying services**—The offering consists of a tangible good accompanied by one or more services. Typically, the more technologically advanced the product, the greater the need for a broad range of high-quality supporting services. Services are often crucial for cars, computers, and cell phones.
3. **Hybrid**—The offering consists of equal parts goods and services. For example, people patronize restaurants for both the food and its preparation.
4. **Major service with accompanying minor goods and services**—The offering consists of a major service along with additional services or supporting goods. For example, though the trip included a few tangibles such as snacks and drinks, what airline passengers buy is transportation. This service requires a capital-intensive good—an airplane—for its realization, but the primary item is a service.
5. **Pure service**—The offering consists primarily of a service. Examples include babysitting, psychotherapy, and massage.

The range of service offerings makes it difficult to generalize without a few further distinctions.

- Services vary as to whether they are *equipment based* (automated car washes, vending machines) or *people based* (window washing, accounting services). People-based services vary by whether unskilled, skilled, or professional workers provide them.
- Service companies can choose among different *processes* to deliver their service. Restaurants have developed cafeteria-style, fast-food, buffet, and candlelight service formats.
- Some services need the *client's presence*. Brain surgery requires the client's presence, a car repair does not. If the client must be present, the service provider must be considerate of his or her needs. Thus beauty salon operators will invest in décor, play background music, and engage in light conversation with the client.
- Services may meet a *personal need* (personal services) or a *business need* (business services). Service providers typically develop different marketing programs for personal and business markets.
- Service providers differ in their *objectives* (profit or nonprofit) and *ownership* (private or public). These two characteristics, when crossed, produce four quite different types of organizations. The marketing programs of a private investor hospital will differ from those of a private charity hospital or a Veterans' Administration hospital.<sup>8</sup>

Customers cannot judge the technical quality of some services even after they have received them. Figure 13.2 shows various products and services according to difficulty of evaluation.<sup>9</sup> At the left are goods high in *search qualities*—that is, characteristics the buyer can evaluate before purchase. In the middle are goods and services high in *experience qualities*—characteristics the buyer can evaluate after purchase. At the right are goods and services high in *credence qualities*—characteristics the buyer normally finds hard to evaluate even after consumption.<sup>10</sup>

Because services are generally high in experience and credence qualities, there is more risk in purchase. This factor has several consequences. First, service consumers generally rely on word of mouth rather than advertising. Second, they rely heavily on price, personnel, and physical cues to judge quality. Third, they are highly loyal to service providers who satisfy them. Fourth, because switching costs are high, consumer inertia can make it challenging to entice a customer away from a competitor.

## Distinctive Characteristics of Services

Services have four distinctive characteristics that greatly affect the design of marketing programs: *intangibility*, *inseparability*, *variability*, and *perishability*.<sup>11</sup>

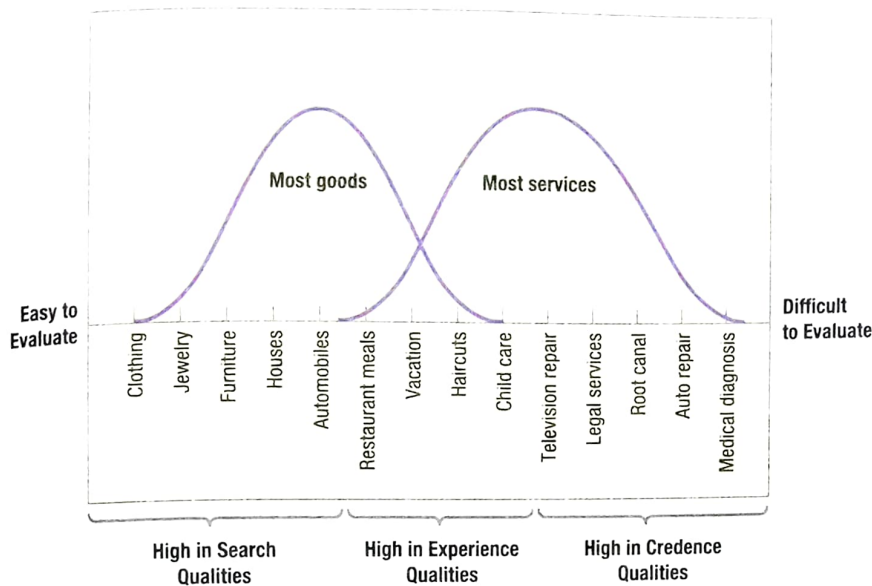


FIG. 13.2

Continuum of Evaluation for Different Types of Products

Easy to Evaluate

Difficult to Evaluate

**INTANGIBILITY** Unlike physical products, services cannot be seen, tasted, felt, heard, or smelled before they are bought. A person getting cosmetic surgery cannot see the results before the purchase, and the patient in the psychiatrist's office cannot know the exact outcome of treatment. To reduce uncertainty, buyers will look for evidence of quality by drawing inferences from the place, people, equipment, communication material, symbols, and price. Therefore, the service provider's task is to "manage the evidence," to "tangibilize the intangible."<sup>12</sup>

Service companies can try to demonstrate their service quality through *physical evidence* and *presentation*.<sup>13</sup> A hotel will develop a look and a style of dealing with customers that realizes its intended customer-value proposition, whether it's cleanliness, speed, or some other benefit. Suppose a bank wants to position itself as the "fast" bank. It could make this positioning strategy tangible through any number of marketing tools:

1. **Place**—The exterior and interior should have clean lines. The layout of the desks and the traffic flow should be planned carefully. Waiting lines should not get overly long.
2. **People**—Personnel should be busy, but there should be a sufficient number of employees to manage the workload.
3. **Equipment**—Computers, copying machines, and desks should be and look like "state of the art."
4. **Communication material**—Printed materials—text and photos—should suggest efficiency and speed.
5. **Symbols**—The name and symbol could suggest fast service.
6. **Price**—The bank could advertise that it will deposit Rs. 50 in the account of any customer who waits in line for more than five minutes.

Service marketers must be able to transform intangible services into concrete benefits and a well-defined experience.<sup>14</sup> The Disney Company is a master at "tangibilizing the intangible" and creating magical fantasies in its theme parks; so are companies such as Jamba Juice and Barnes & Noble in their respective retail stores.<sup>15</sup>

Similarly, the luxury tourist train Palace on Wheels, a joint venture of Rajasthan Tourism Development Corporation and Indian Railways, is highly successful due to the careful design and execution of various service elements that help in delivering superior customer experience.

## PALACE ON WHEELS

Palace on Wheels takes tourists on a journey through Rajasthan, the land of sand dunes and regal palaces, and Agra, the land of the Taj Mahal. Rated as one among the ten best luxurious rail journeys in the world, it aims to provide the ultimate royal experience. The Palace on Wheels was started in 1982 as a heritage holiday train by joining the coaches of the original royal saloons owned by the princely states of Gujarat, Rajputana, the Nizam





The Maharani restaurant on the Palace of Wheels train combines a royal and luxurious ambience with excellent service and a choice of cuisines for the guests

of Hyderabad, and the Viceroy of British India. Later, these coaches were replaced by modern air-conditioned coaches, but the royal ambience was maintained. Presently the train has 14 saloons. Each coach has four twin-bedded chambers decorated in colourful Rajasthani art, and the panels and ceilings are covered with miniature traditional motifs that reflect courtly life. The saloons are equipped with world-class facilities such as channel music, intercom, attached toilets, running hot and cold water, shower stalls, and wall-to-wall carpeting. Each saloon has personal attendants called "*khidmatgars*," at the beck and call of the guests. The train also has two restaurants named "The Maharaja" and "The Maharani" with a princely ambience where guests have a choice of Continental, Chinese, Indian, and Rajasthani cuisines, prepared by the chefs in the adjacent kitchens. In addition, the train also has a well-stocked bar and a library. The train travels mostly in the night and stops during the day to allow the guests to visit the palaces and the forts. The Palace on Wheels experience has become one of the most sought-after luxuries for international tourists, and has long passenger lists that require guests to book months in advance in order to get their share of the royal experience.

**INSEPARABILITY** Whereas physical goods are manufactured, put into inventory, distributed through multiple resellers, and consumed later, services are typically produced and consumed simultaneously. A barber can't give a haircut without being present. If a person renders the service, then the provider is part of the service. Because the client is also often present as the service is produced, provider-client interaction is a special feature of services marketing.

In the case of entertainment and professional services, buyers are interested in the specific provider of the service. A music concert is not the same if Ustad Zakir Hussain is replaced by a local, or even a well-known national-level artist. When clients have strong provider preferences, the price is raised, both to ration the preferred provider's limited time, and also to shield him/her from overexposure.

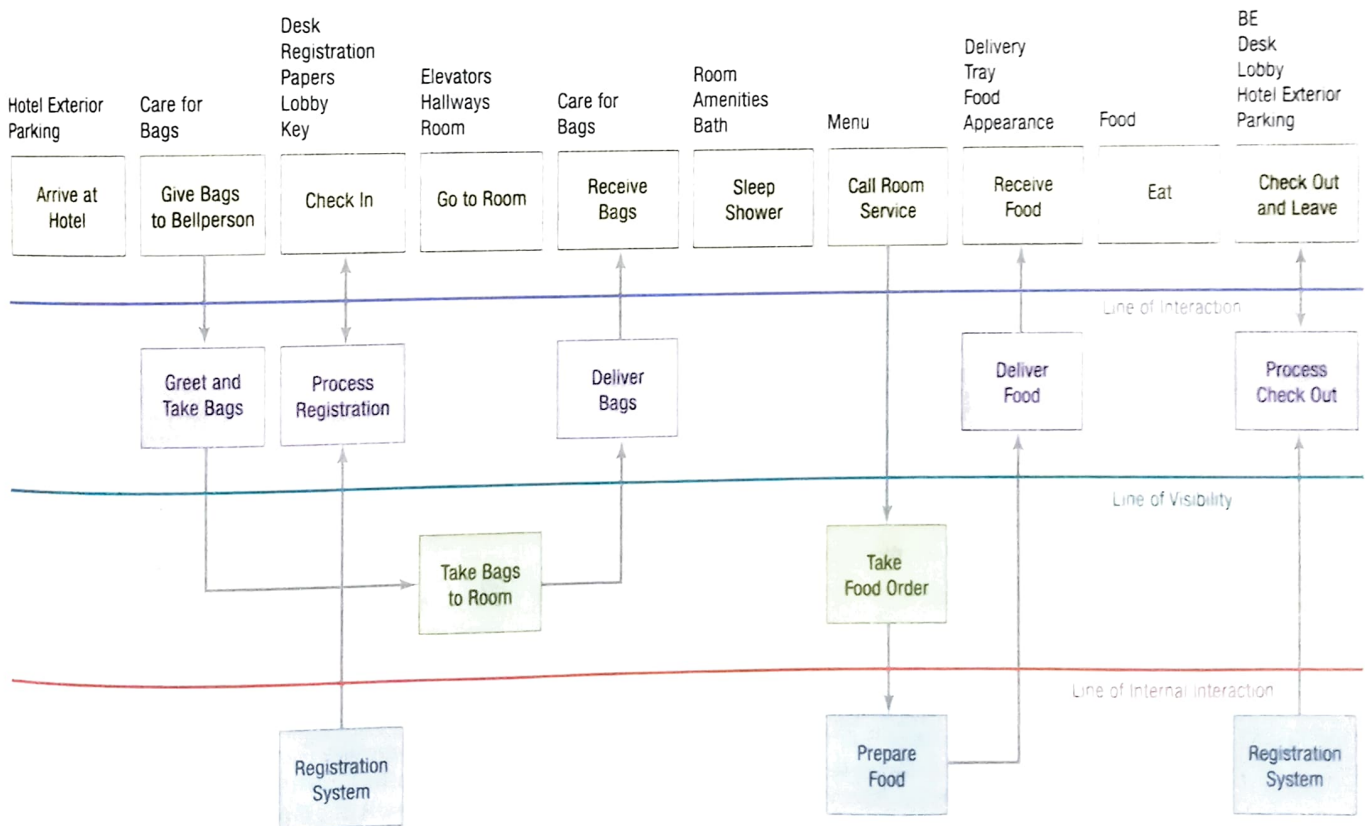
Several strategies exist for getting around the limitations of inseparability. The service provider can learn to work with larger groups. Psychotherapists have moved from one-on-one therapy to small-group therapy to groups of over 300 people in a large hotel ballroom. The service provider can learn to work faster—the psychotherapist can spend 30 more-efficient minutes with each patient instead of 50 less-structured minutes and can see more patients. The service organization can train more service providers and build up client confidence.

**VARIABILITY** Because the quality of services depends on who provides them, when and where, and to whom, services are highly variable. Some doctors have an excellent bedside manner; others are less empathic.

Service buyers are aware of this variability and often talk to others before selecting a service provider. To reassure customers, some firms offer *service guarantees* that may reduce consumer perceptions of risk.<sup>16</sup> Here are three steps service firms can take to increase quality control.

- 1. Invest in good hiring and training procedures**—Recruiting the right employees and providing them with excellent training is crucial, regardless of whether employees are highly skilled professionals or low-skilled workers. Better-trained personnel exhibit six characteristics: *Competence*: They possess the required skill and knowledge; *courtesy*: They are friendly, respectful, and considerate; *credibility*: They are trustworthy; *reliability*: They perform the service consistently and accurately; *responsiveness*: They respond quickly to customers' requests and problems; and *communication*: They make an effort to understand the customer and communicate clearly.<sup>17</sup>
- 2. Standardize the service-performance process throughout the organization**—A *service blueprint* can simultaneously map out the service process, the points of customer contact, and the evidence of service from the customer's point of view.<sup>18</sup> Figure 13.3 shows a service blueprint for a guest spending a night at a hotel.<sup>19</sup> The guest's experience includes a series of steps he or she must enact before even getting to sleep. Behind the scenes, the hotel must skillfully help the guest move from one step to the next. Service blueprints can be helpful in developing new service, supporting a "zero defects" culture, and devising service recovery strategies.
- 3. Monitor customer satisfaction**—Employ suggestion and complaint systems, customer surveys, and comparison shopping. General Electric sends out 700,000 response cards a year asking households to rate its service people's performance. Citibank checks continu-

FIG. 13.3 Blueprint for Overnight Hotel Stay



Source: Adapted from Mary Jo Bitner and D. Jay D. Greiner, *Service Marketing: Organizing for Customer Delight* (Irving, TX: Texas A&M University Press, 2008), p. 105.



ously on measures of ART (accuracy, responsiveness, and timeliness). Recognizing how customer needs may vary in different geographical areas can allow firms to develop region-specific programs to improve total customer satisfaction.<sup>20</sup> Firms can also develop customer information databases and systems to permit more personalized, customized service, especially online.<sup>21</sup>

**PERISHABILITY** Services cannot be stored, so their perishability can be a problem when demand fluctuates. For example, public transportation companies must own much more equipment because of rush-hour demand than if demand were even throughout the day. Some doctors charge patients for missed appointments because the service value (the doctor's availability) exists only at the time of the appointment.

Demand or yield management is critical—the right services must be available to the right customers at the right places at the right times and right prices to maximize profitability. Several strategies can produce a better match between demand and supply in a service business.<sup>22</sup> On the demand side:

- **Differential pricing** will shift some demand from peak to off-peak periods. Examples include low early-evening movie prices and weekend discounts for car rentals.<sup>23</sup>
- **Nonpeak demand** can be cultivated. McDonald's pushes breakfast service, and hotels promote minivacation weekends.
- **Complementary services** can provide alternatives to waiting customers, such as cocktail lounges in restaurants and automated teller machines in banks.
- **Reservation systems** are a way to manage the demand level. Airlines, hotels, and physicians employ them extensively.

On the supply side:

- **Part-time employees** can serve peak demand. Colleges add part-time teachers when enrollment goes up, stores hire extra clerks during holiday periods, and restaurants call in part-time servers when needed.
- **Peak-time efficiency** routines can allow employees to perform only essential tasks during peak periods. Paramedics assist physicians during busy periods.
- **Increased consumer participation** can be encouraged. Consumers fill out their own medical records or bag their own groceries.
- **Shared services** can improve offerings. Several hospitals can share medical-equipment purchases.
- **Facilities for future expansion** can be a good investment. An amusement park buys surrounding land for later development.

Many airlines, hotels, and resorts send e-mail alerts to self-selected segments of their customer base that offer special short-term discounts and promotions. Club Med uses early to midweek e-mails to people in its database to pitch unsold weekend packages, typically 30% to 40% off the standard package price.<sup>24</sup> After 40 years of making people stand in line at its theme parks, Disney instituted Fastpass, which allows visitors to reserve a spot in line and eliminate the wait. When visitors were polled, it turned out that 95% like the change. Disney's vice president, Dale Stafford, told a reporter, "We have been teaching people how to stand in line since 1955, and now we are telling them they don't have to. Of all the things we can do and all the marvels we can create with the attractions, this is something that will have a profound effect on the entire industry."<sup>25</sup>

**Audio Comment** | Listen to audio commentary on this chapter's key concepts. The audio commentary is available on the product topic page at [www.cengage.com](http://www.cengage.com). To see a list of all available audio commentary, visit [www.cengage.com](http://www.cengage.com) and click on the "Audio Commentary" link.

## Service Marketing

Service has grown dramatically in recent years. Services now make up almost 80 percent of the U.S. gross domestic product (GDP). Services also make up almost 80 percent of the world's GDP, making up almost 60 percent of the gross world product.

Service industries vary greatly. Government services include police, fire, and public health departments, hospitals, military services, postal services, and social security. *Public not-for-profit organizations* include colleges, foundations, and hospitals. *Private not-for-profit organizations* include airlines, banks, insurance companies, and utilities. *Private for-profit organizations* include hotels, restaurants, retail stores, law firms, medical and legal practices, entertainment and recreation services, and professional services, retailers, and others.

### The Nature and Characteristics of a Service

A company must consider four special service characteristics when designing marketing programs: intangibility, inseparability, variability, and perishability (see ● Figure 8.3).

**Service intangibility** means that services cannot be seen, tasted, felt, heard, or smelled before they are bought. For example, people undergoing cosmetic surgery cannot see the result before the purchase. Airline passengers have nothing but a ticket and a promise that they and their luggage will arrive safely at the intended destination, hopefully at the same time. To reduce uncertainty, buyers look for *signals* of service quality. They draw conclusions about quality from the place, people, price, equipment, and communications that they can see.

Therefore, the service provider's task is to make the service tangible in one or more ways and send the right signals about quality. The Mayo Clinic does this well:<sup>21</sup>

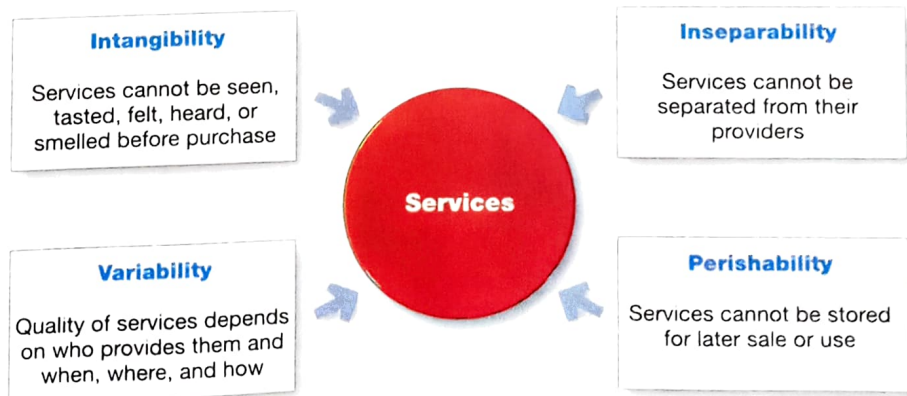
When it comes to hospitals, most patients can't really judge "product quality." It's a very complex product that's hard to understand, and you can't try it out before buying it. So when considering a hospital, most people unconsciously search for evidence that the facility is caring, competent, and trustworthy. The Mayo Clinic doesn't leave these things to chance. Rather, it offers patients organized and honest evidence of its dedication to "providing the best care to every patient every day."

Inside, staff is trained to act in a way that clearly signals Mayo Clinic's concern for patient well-being. For example, doctors regularly follow up with patients at home to see how they are doing, and they work with patients to smooth out scheduling problems. The clinic's physical facilities also send the right signals. They've been carefully designed to offer a place of refuge, show caring and respect, and signal competence. Looking for external confirmation? Go online and hear directly from those who've been to the clinic or work there. The Mayo Clinic uses social networking—everything from blogs to Facebook, Twitter, YouTube, Instagram, and Pinterest—to enhance the patient experience. ● For example, on the Sharing Mayo Clinic blog (<http://sharing.mayoclinic.org>), patients and their families retell their Mayo experiences, and Mayo employees offer behind-the-scenes views. The result? Highly loyal customers who willingly spread the good word to others, building one of the most powerful brands in health care.

#### Service intangibility

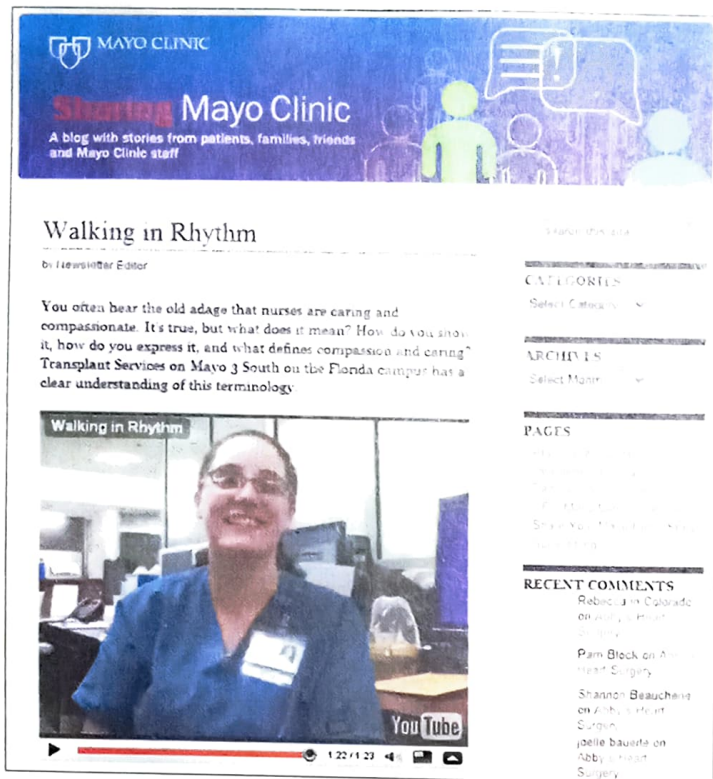
Services cannot be seen, tasted, felt, heard, or smelled before they are bought.

● FIGURE | 8.3  
Four Service Characteristics



Although services are "products" in a general sense, they have special characteristics and marketing needs. The biggest differences come from the fact that services are essentially intangible and that they are created through direct interactions with customers. Think about your experiences with an airline or Google versus Nike or Apple.





● By providing customers with organized, honest evidence of its capabilities, the Mayo Clinic has built one of the most powerful brands in health care. Its *Sharing Mayo Clinic* blog lets you hear directly from those who have been to the clinic or who work there.

Mayo Clinic

### Service inseparability

Services are produced and consumed at the same time and cannot be separated from their providers.

### Service variability

The quality of services may vary greatly depending on who provides them and when, where, and how they are provided.

### Service perishability

Services cannot be stored for later sale or use.

Physical goods are produced, then stored, then later sold and then still later consumed. In contrast, services are first sold and then produced and consumed at the same time. **Service inseparability** means that services cannot be separated from their providers, whether the providers are people or machines. If a service employee provides the service, then the employee becomes a part of the service. And customers don't just use a service—they play an active role in its delivery, making their coproduction makes *provider-customer interaction* a special feature of services marketing. Both the provider and the customer affect the service outcome.

**Service variability** means that the quality of services depends on who provides them as well as when, where, and how they are provided. For example, some hotels—say, Marriott—have reputations for providing better service than others. Still, within a given Marriott hotel, one registration-counter employee may be cheerful and efficient, whereas another standing just a few feet away may be grumpy and slow. Even the quality of a single Marriott employee's service varies according to his or her energy and frame of mind at the time of each customer encounter.

**Service perishability** means that services cannot be stored for later sale or use. Some doctors charge patients for missed appointments because the service value existed only at that point and disappeared when the patient did not show up. The perishability of services is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. For example, because of rush-hour demand, public transportation companies have to own much more equipment than they

would if demand were even throughout the day. Thus, service firms often design strategies for producing a better match between demand and supply. Hotels and resorts charge lower prices in the off-season to attract more guests. And restaurants hire part-time employees to serve during peak periods.

## Marketing Strategies for Service Firms

Just like manufacturing businesses, good service firms use marketing to position themselves strongly in chosen target markets. Enterprise Rent-A-Car gives you “Car rental and much more”; Zipcar offers “Wheels when you want them.” At CVS Pharmacy, “Expect something extra”; Walgreens meets you “at the corner of happy & healthy.” And St. Jude Children’s Hospital is “Finding cures. Saving children.” These and other service firms establish their positions through traditional marketing strategies. However,