



MASARYKOVA UNIVERZITA

Principles of marketing

Chapter 1

Definition

Marketing is defined by the American Marketing Association [AMA] as *"the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."*

Part 1

***FOUNDATIONS
FOR SERVICES
MARKETING***



Introduction to Services

- What are services?
- Why services marketing?
- Service and Technology
- Characteristics of Services Compared to Goods
- Services Marketing Mix
- Staying Focused on the Customer

Objectives for Chapter 1: Introduction to Services

- ❏ Explain what services are and identify important trends in services.
- ❏ Explain the need for special services marketing concepts and practices and why the need has developed and is accelerating.
- ❏ Explore the profound impact of technology on service.
- ❏ Outline the basic differences between goods and services and the resulting challenges and opportunities for service businesses.

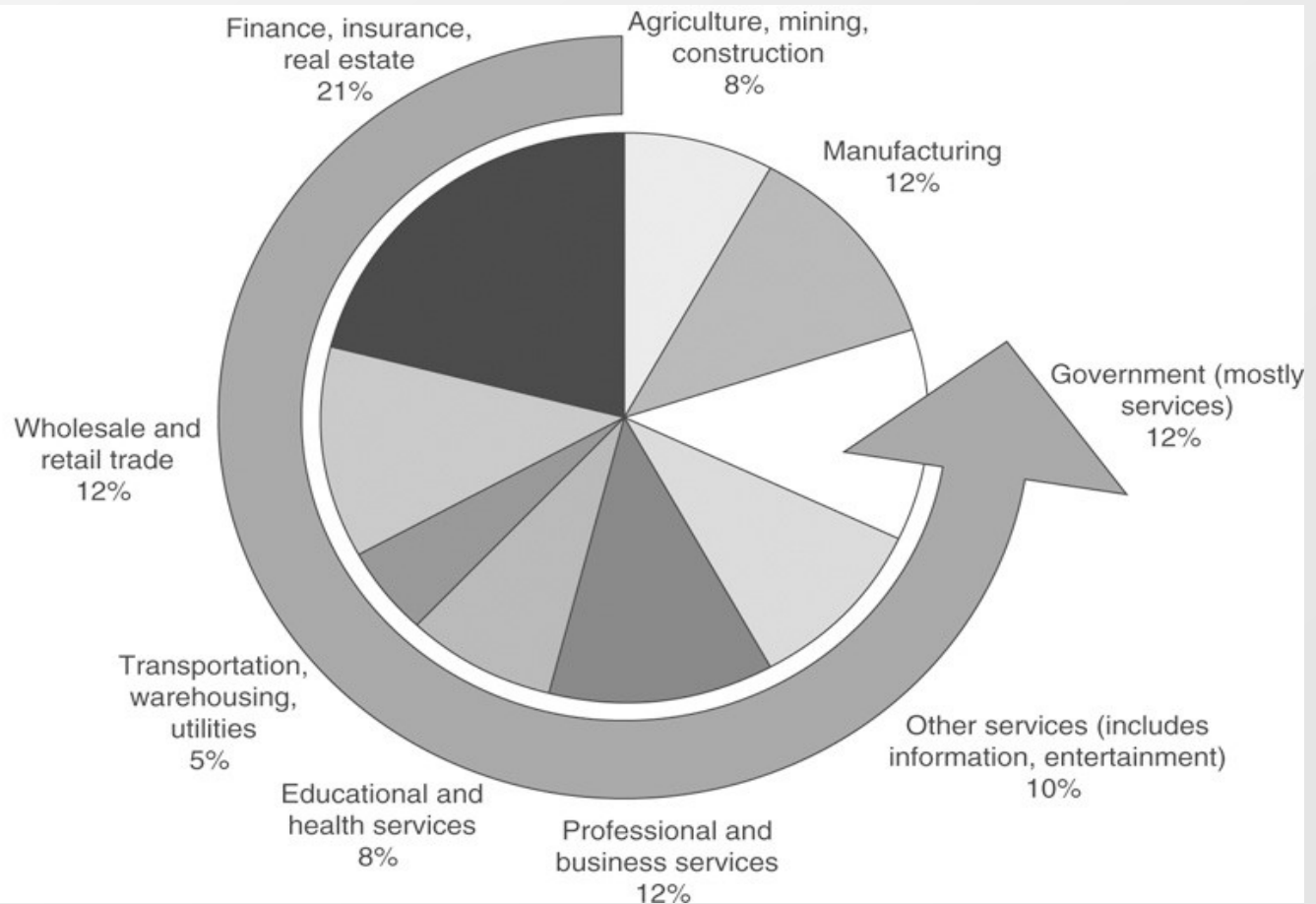
Examples of Service Industries

- ❏ Health Care
 - ❏ hospital, medical practice, dentistry, eye care
- ❏ Professional Services
 - ❏ accounting, legal, architectural
- ❏ Financial Services
 - ❏ banking, investment advising, insurance
- ❏ Hospitality
 - ❏ restaurant, hotel/motel, bed & breakfast
 - ❏ ski resort, rafting
- ❏ Travel
 - ❏ airline, travel agency, theme park
- ❏ Others
 - ❏ hair styling, pest control, plumbing, lawn maintenance, counseling services, health club, interior design

Contributions of Service Industries to U.S. Gross Domestic Product

FIGURE 1.1
Contributions of Service Industries to U.S. Gross Domestic Product, 2006

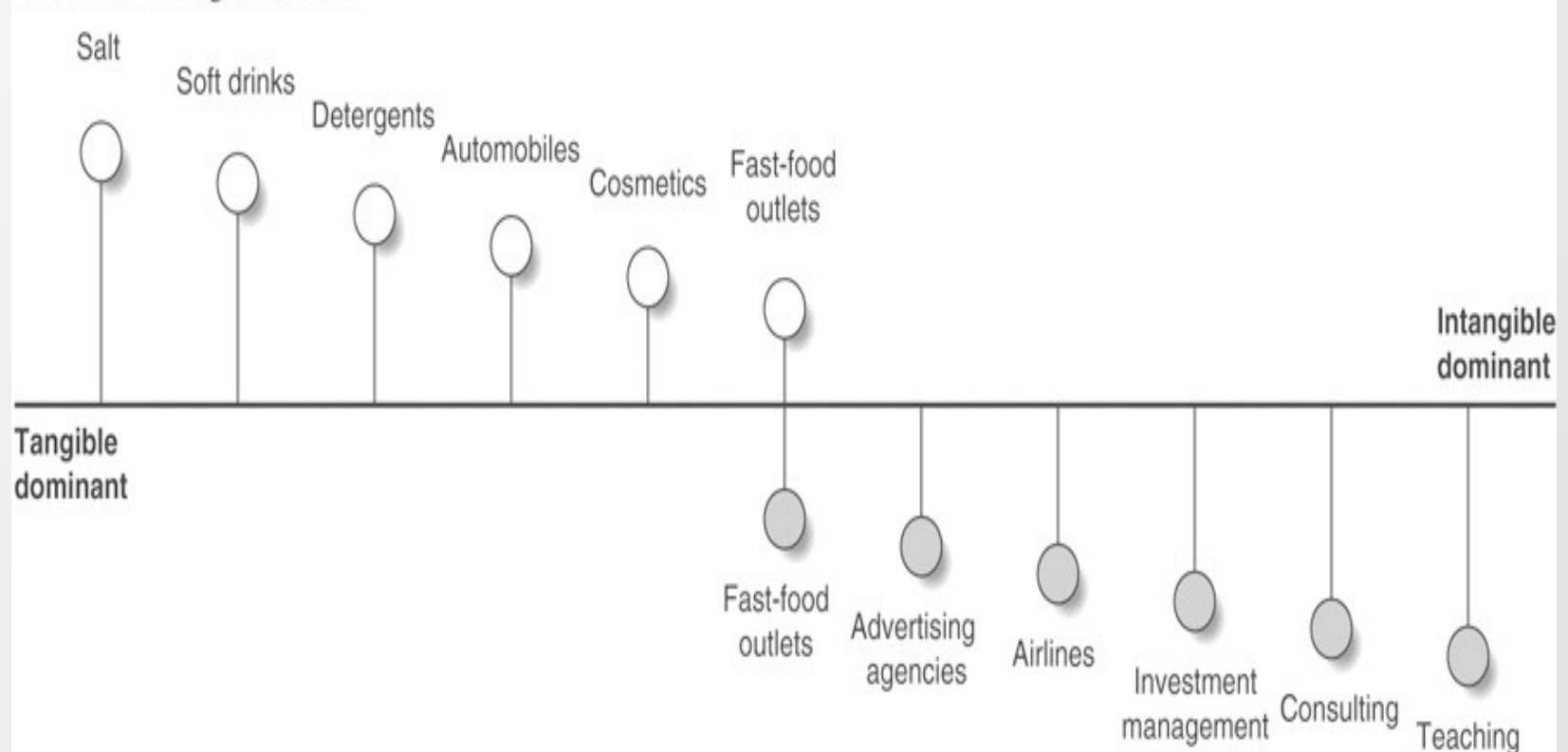
Source: *Survey of Current Business*, May 2007, p. 19, Table 2.



Tangibility Spectrum

FIGURE 1.2 Tangibility Spectrum

Source: G. Lynn Shostack, "Breaking Free from Product Marketing," *Journal of Marketing* 41 (April 1977), pp. 73–80. Reprinted with permission of the American Marketing Association.



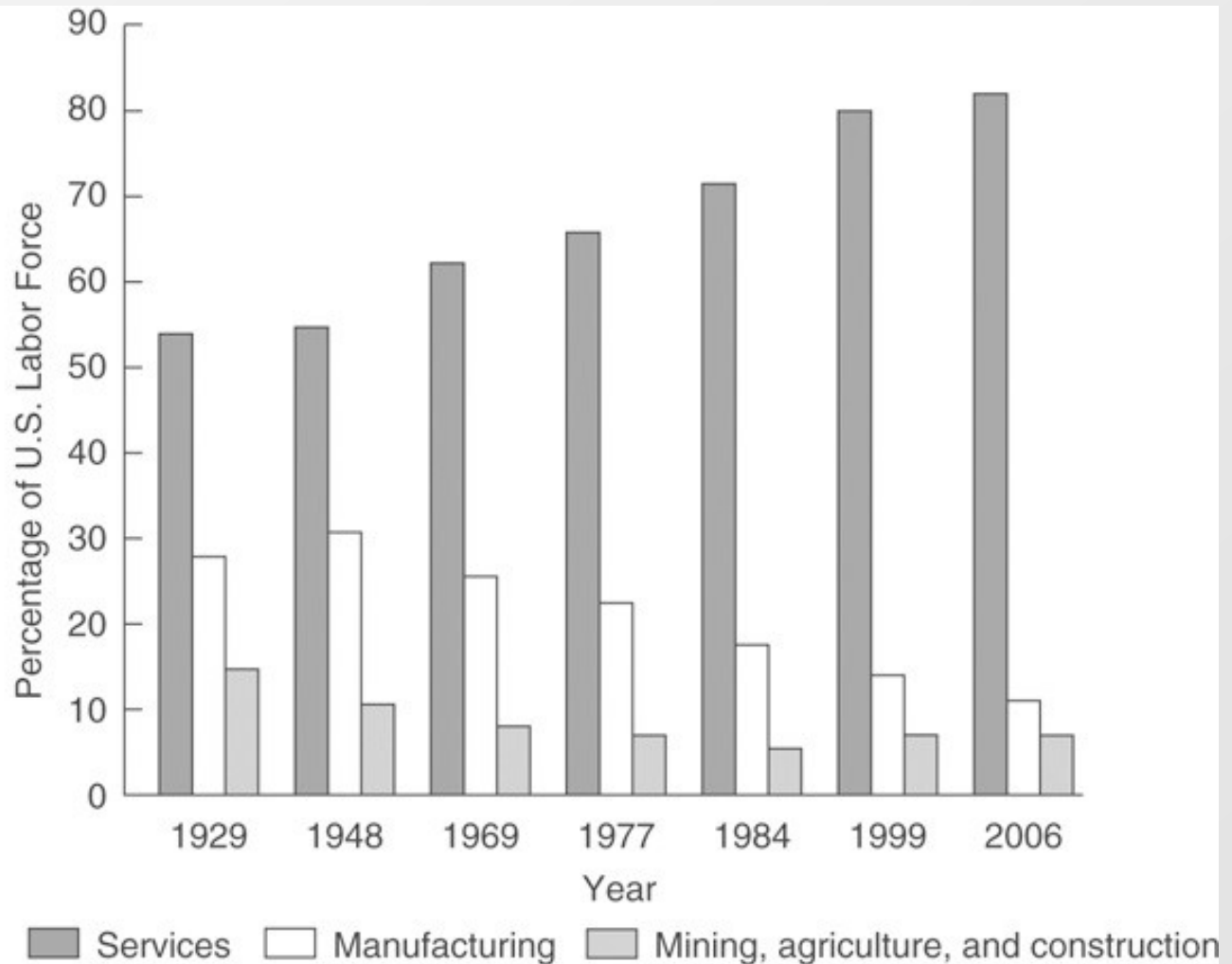
Overview: Why Services Matter

- Services dominate U.S. and worldwide economies
- Services are growing dramatically
- Service leads to customer retention and loyalty
- Service leads to profits
- Services help manufacturing companies differentiate themselves

Percent of U.S. Labor Force by Industry

FIGURE 1.3
Percentage of U.S.
Labor Force by
Industry

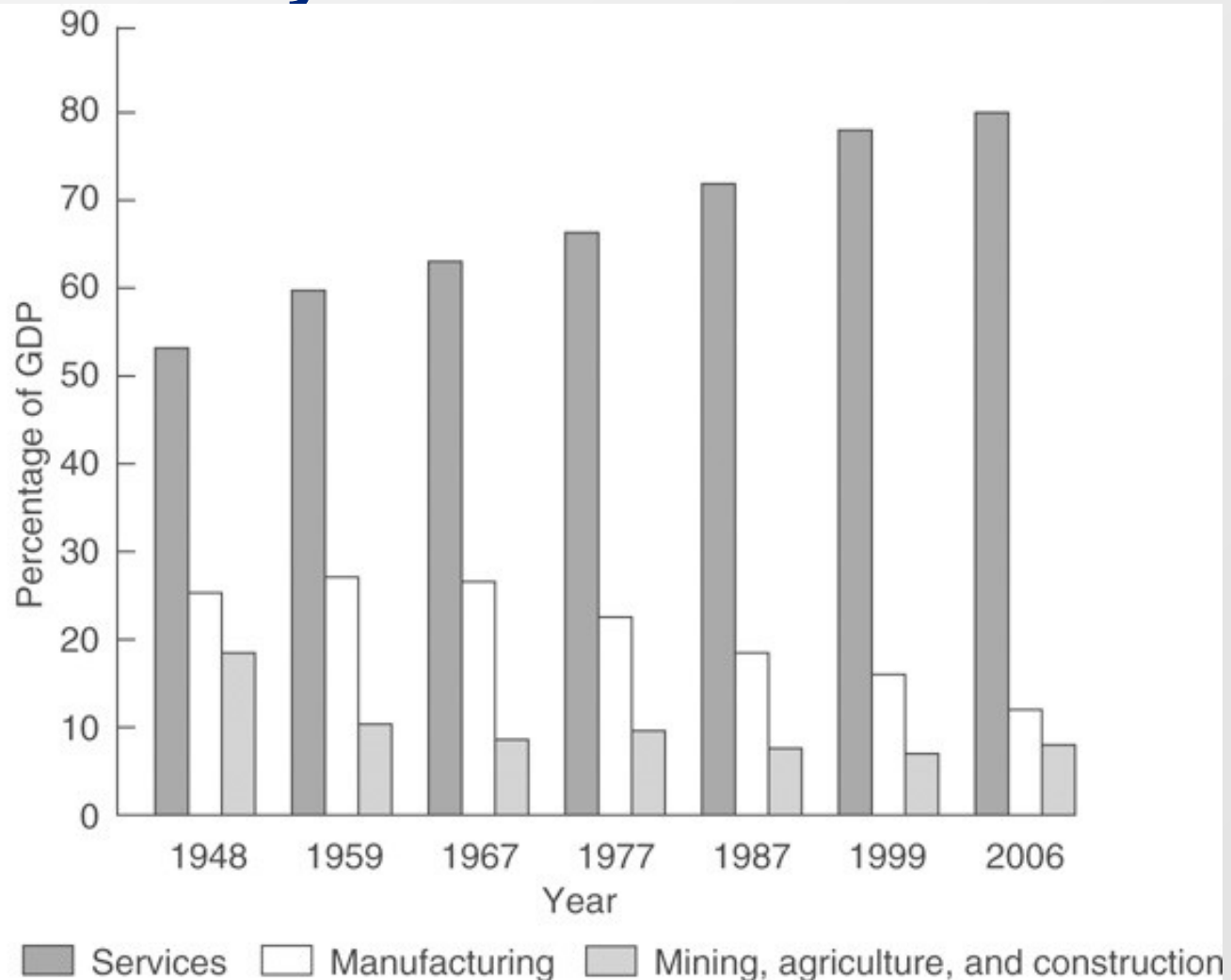
Sources: U.S. Department of Labor, Bureau of Labor Statistics, *Industry at a Glance*, May 4, 2007, *Survey of Current Business*, February 2001, Table B.8, July 1988, Table 6.6B, and July 1992, Table 6.4C; E. Ginzberg and G. J. Vojta, "The Service Sector of the U.S. Economy," *Scientific American* 244, no. 3 (1981), pp. 31–39.



Percent of U.S. Gross Domestic Product by Industry

FIGURE 1.4
Percentage of U.S. Gross Domestic Product by Industry

Sources: *Survey of Current Business*, May 2007, p. 19, Table 2; *Survey of Current Business*, February 2001, Table B.3, and August 1996, Table 11; E. Ginzberg and G. J. Vojta, "The Service Sector of the U.S. Economy," *Scientific American* 244, no. 3 (1981), pp. 31–39.



Eight Central Paradoxes of Technological Products

Source: D. G. Mick and S. Fournier, "Paradoxes of Technology: Consumer Cognizance, Emotions, and Coping Strategies," *Journal of Consumer Research* 25 (September 1998), pp. 123–147. Copyright © 1998 University of Chicago Press. Reprinted by permission.

Paradox	Description
Control/chaos	Technology can facilitate regulation or order, and technology can lead to upheaval or disorder.
Freedom/enslavement	Technology can facilitate independence or fewer restrictions, and technology can lead to dependence or more restrictions.
New/obsolete	New technologies provide the user with the most recently developed benefits of scientific knowledge, and new technologies are already or soon to be outmoded as they reach the marketplace.
Competence/incompetence	Technology can facilitate feelings of intelligence or efficacy, and technology can lead to feelings of ignorance or ineptitude.
Efficiency/inefficiency	Technology can facilitate less effort or time spent in certain activities, and technology can lead to more effort or time in certain activities.
Fulfills/creates needs	Technology can facilitate the fulfillment of needs or desires, and technology can lead to the development or awareness of needs or desires previously unrealized.
Assimilation/isolation	Technology can facilitate human togetherness, and technology can lead to human separation.
Engaging/disengaging	Technology can facilitate involvement, flow, or activity, and technology can lead to disconnection, disruption, or passivity.

Comparing Goods and Services

TABLE 1.2 Comparing Goods and Services

Source: A. Parasuraman, V. A. Zeithaml, and L. L. Berry, "A Conceptual Model of Service Quality and It's Implications for Future Research." *Journal of Marketing* 49 (Fall 1985) pp. 41–50. Reprinted by permission of the American Marketing Association.

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.

Why do firms focus on Services?

- Services can provide higher profit margins and growth potential than products
- Customer satisfaction and loyalty are driven by service excellence
- Services can be used as a differentiation strategy in competitive markets

Why study Services Marketing?

- Service-based economies
- Service as a business imperative in manufacturing and IT
- Deregulated industries and professional service needs
- Services marketing is different
- Service equals profits

What is Service? The Old View

- Service is a technical after-sale function that is provided by the service department.



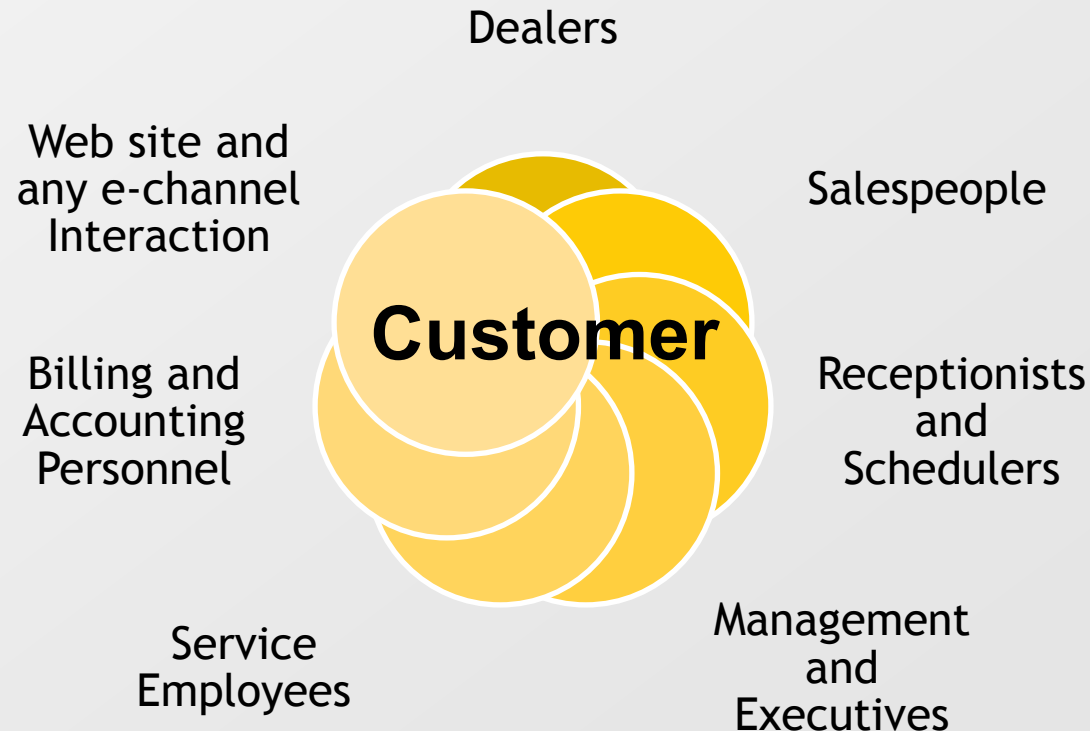
Old view of service =
Customer Service Center



Old:
Service =
wrench time

What is Service? The New View

- Service includes every interaction between any customer and anyone representing the company, including:

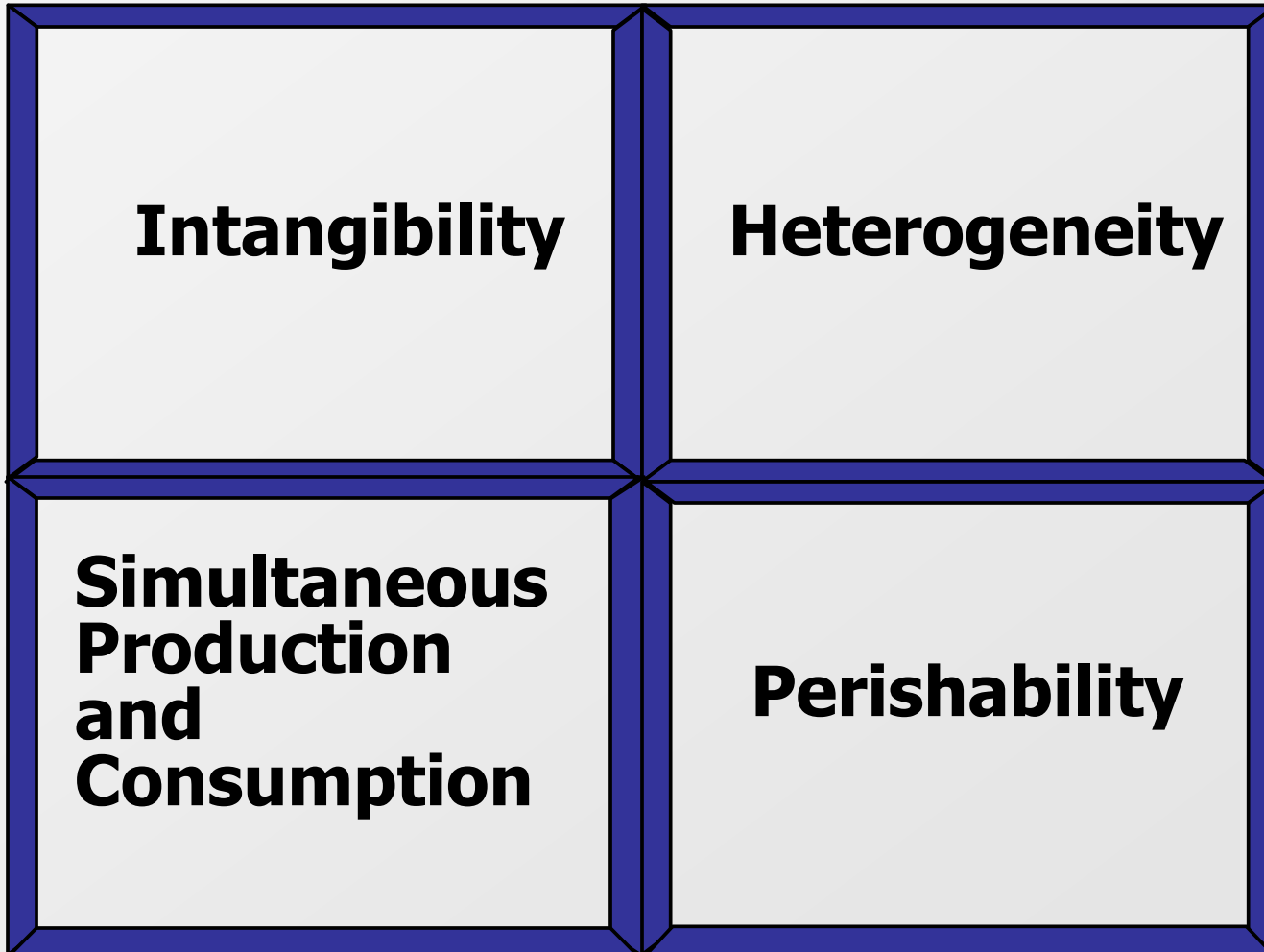


Service Can Mean all of These

- Service as a product
- Customer service
- Services as value add for goods
- Service embedded in a tangible product



Characteristics of Services Compared to Goods



Implications of Intangibility

- Services cannot be inventoried
- Services cannot be easily patented
- Services cannot be readily displayed or communicated
- Pricing is difficult

Implications of Heterogeneity

- 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

Implications of 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

Implications of Perishability

- It is difficult to synchronize supply and demand with services
- Services cannot be returned or resold

Challenges for Services

- Defining and improving quality
- Ensuring the delivery of consistent quality
- Designing and testing new services
- Communicating and maintaining a consistent image
- Accommodating fluctuating demand
- Motivating and sustaining employee commitment
- Coordinating marketing, operations, and human resource efforts
- Setting prices
- Finding a balance between standardization versus customization

Examples of Goods Companies that are Expanding into Services



Boeing



Kodak



Thank you for the attention

Tento projekt je spolufinancován Evropským sociálním fondem a státním rozpočtem České republiky.



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ