

# 9. Designing and Managing Services

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# What is a 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.

# Categories of Service Mix



- **Pure tangible good**  
a tangible good such as soap, toothpaste, or salt with **no accompanying services**.
- **Good with accompanying services**  
like a car, computer, or cell phone, **accompanied by one or more services**.
- **Hybrid**  
like a restaurant meal, of **equal parts goods and services**.
- **Service with accompany goods**  
**A major service with accompanying minor goods**, like air travel, with additional services or supporting goods such as snacks and drinks
- **Pure service**  
**primarily an intangible service**, such as babysitting, or massage.

# Service Distinctions

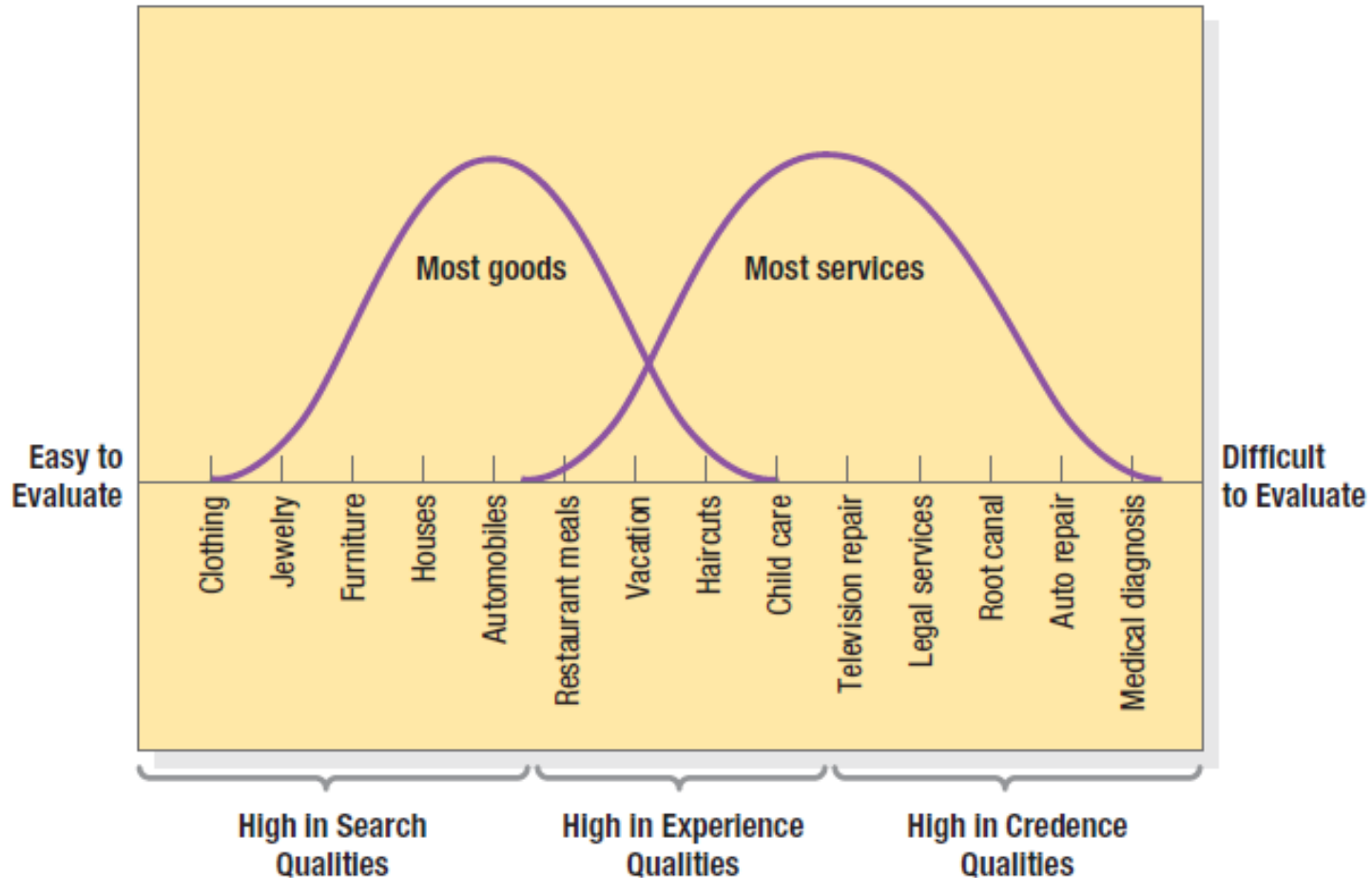


- **Equipment-based or people-based**
  - **equipment based** (automated car washes, vending machines)
  - **people based** (accounting services).
- **Service processes**

i.e. Restaurants offer cafeteria-style, fast-food, buffet, and candlelight service formats
- **Client's presence required or not**

i.e. Brain surgery requires the client's presence, a car repair does not
- **Personal needs** (personal services) or **business needs** (business services)
- **Objectives** (profit/nonprofit) and **ownership** (private/public)

# Continuum of Evaluation for Different Types of Products



# Distinctive Characteristics of Services



Intangibility

difficult to evaluate services

Inseparability

cannot separate the service from the experience of the customer

Variability

services tend to vary from experience to experience

Perishability

cannot inventory services

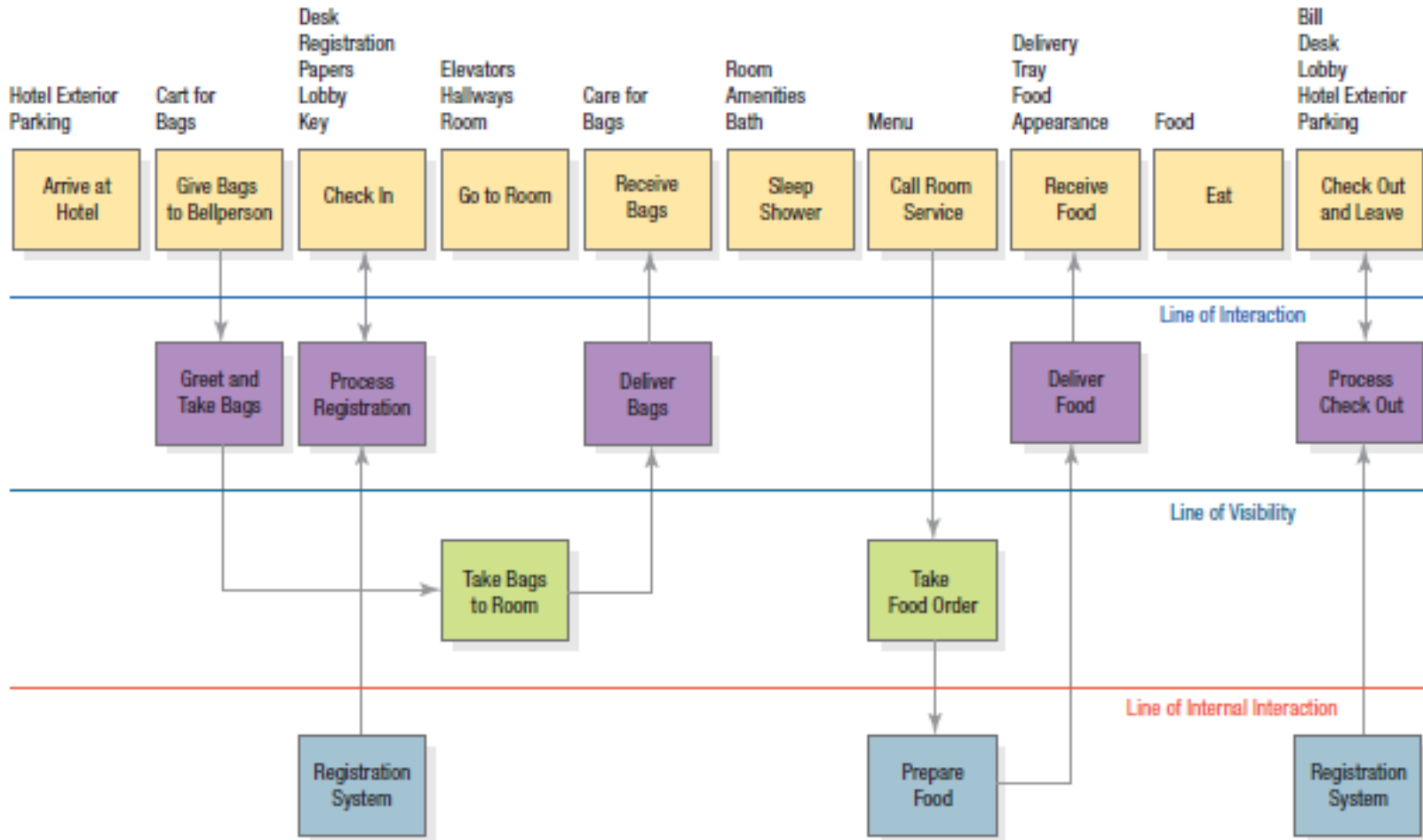
# Physical Evidence and Presentation

Service companies can try to demonstrate their service quality through physical evidence and presentation

→ Suppose a bank wants to position itself as the “fast” bank

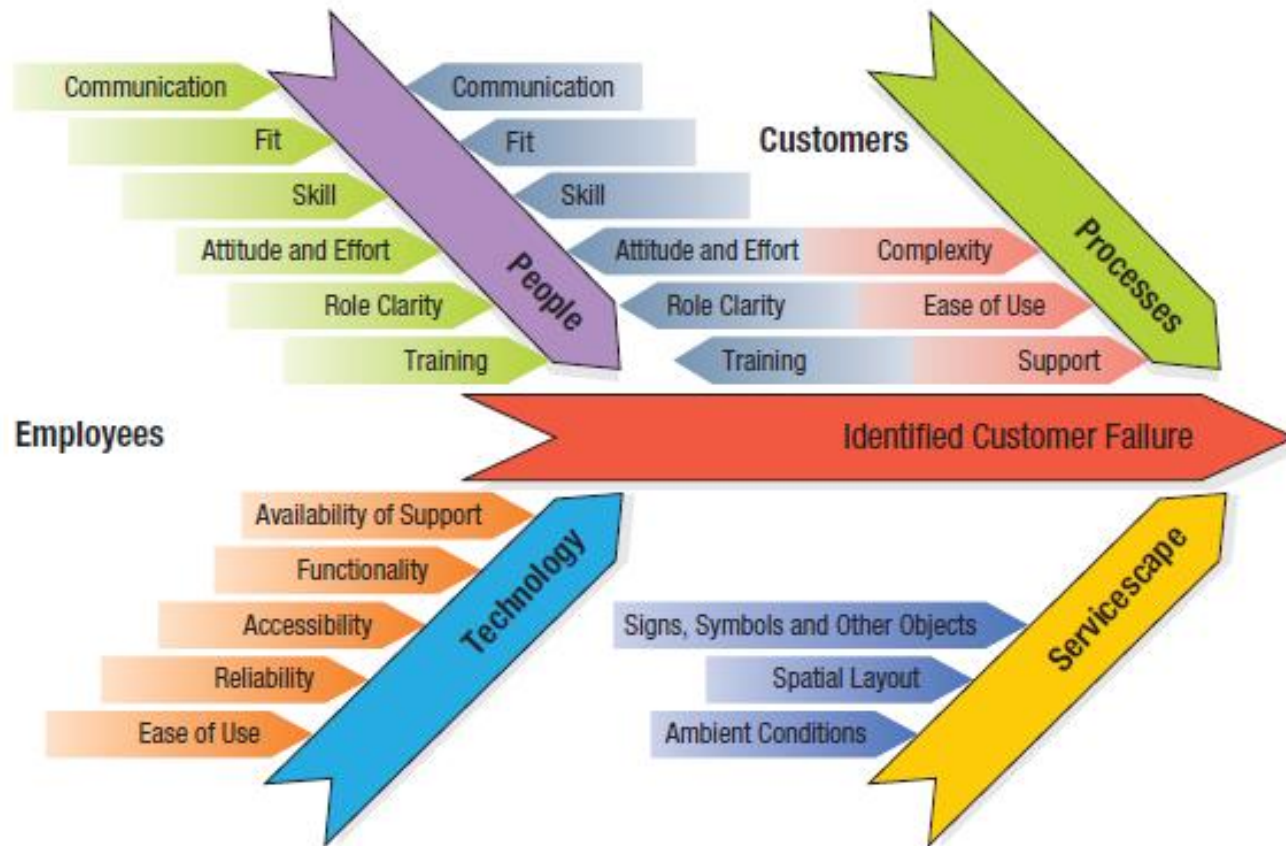
1. **Place**—The exterior and interior should have clean lines. The layout of the desks and the traffic flow should be planned carefully. Waiting lines should not get overly long.
2. **People**—Employees should be busy, but there should be a sufficient number to manage the workload.
3. **Equipment**—Computers,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

# Increasing Quality Control (Blueprint for Overnight Hotel Stay)





# Root Causes of Customer Failure

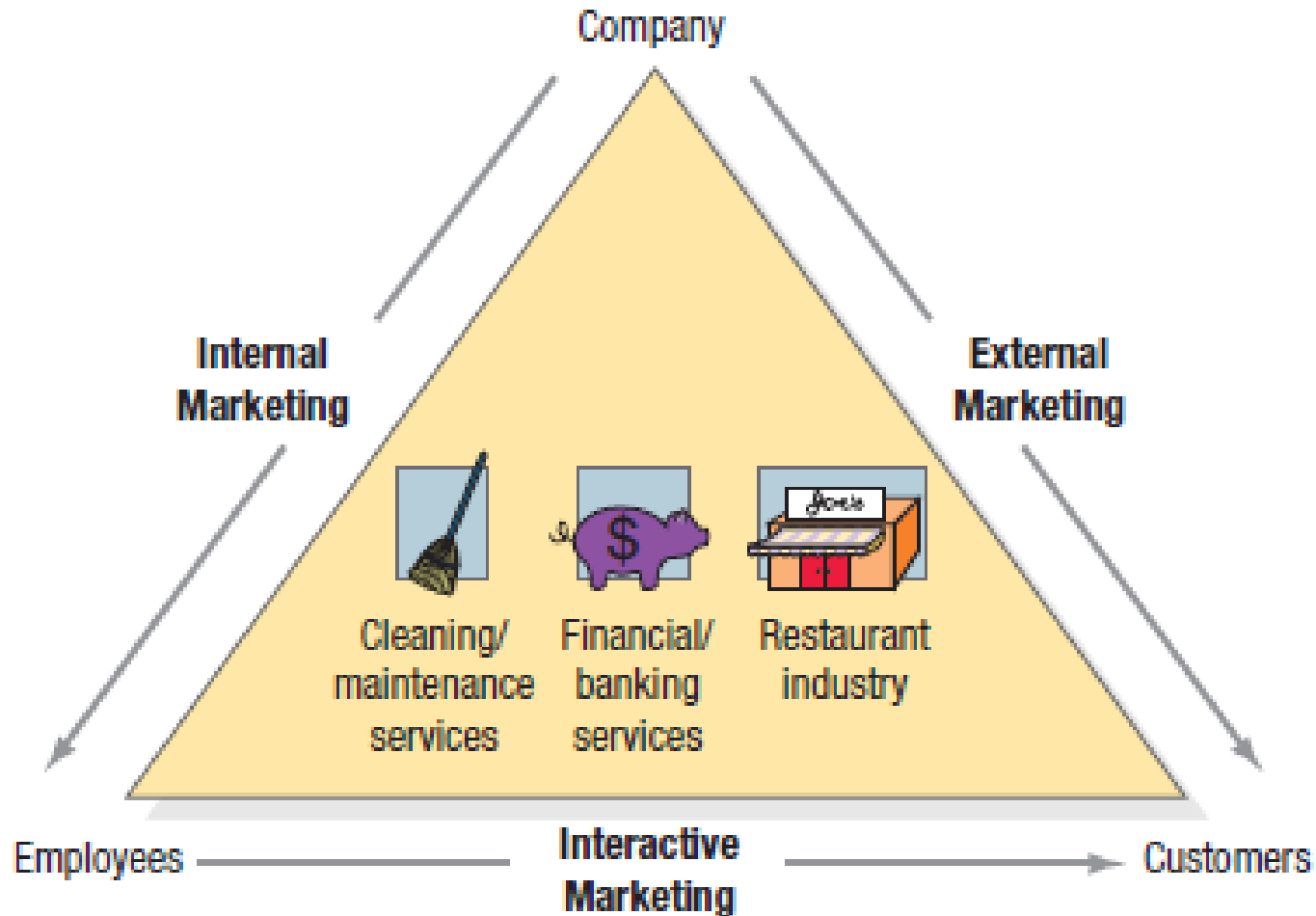




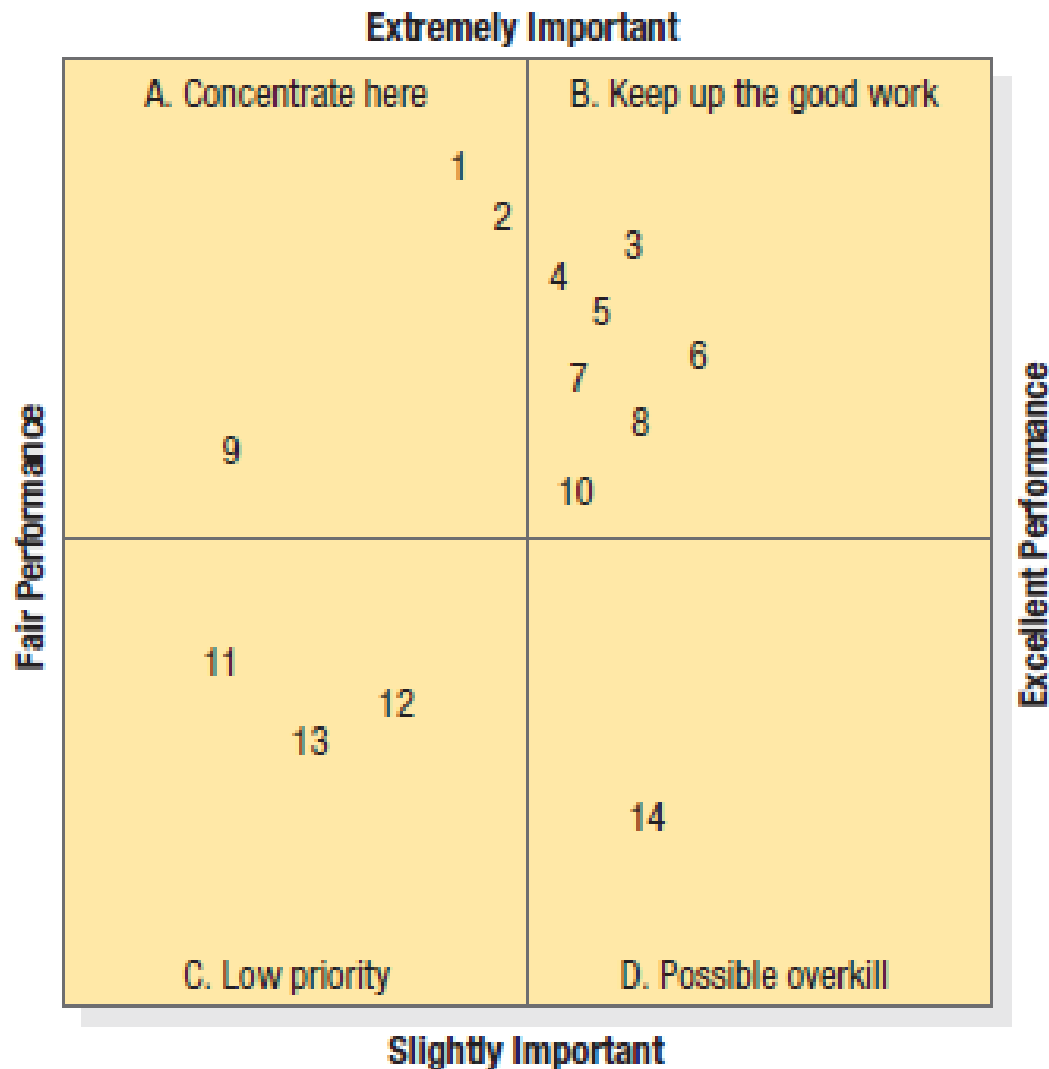
# Solutions to Customer Failures

- Redesign processes and redefine customer roles to simplify service encounters
- Incorporate the right technology to aid employees and customers
- Create high-performance customers by enhancing their role clarity, motivation, and ability
- Encourage customer citizenship where customers help customers

# Types of Marketing in Service Industries



# Importance-Performance Analysis



**TABLE 13.3****Factors Leading to Customer Switching Behavior****Pricing**

- High price
- Price increases
- 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
- Impolite
- Unresponsive
- Unknowledgeable

**Response to Service Failure**

- Negative response
- No response
- Reluctant response

**Competition**

- Found better service

**Ethical Problems**

- Cheat
- Hard sell
- Unsafe
- Conflict of interest

**Involuntary Switching**

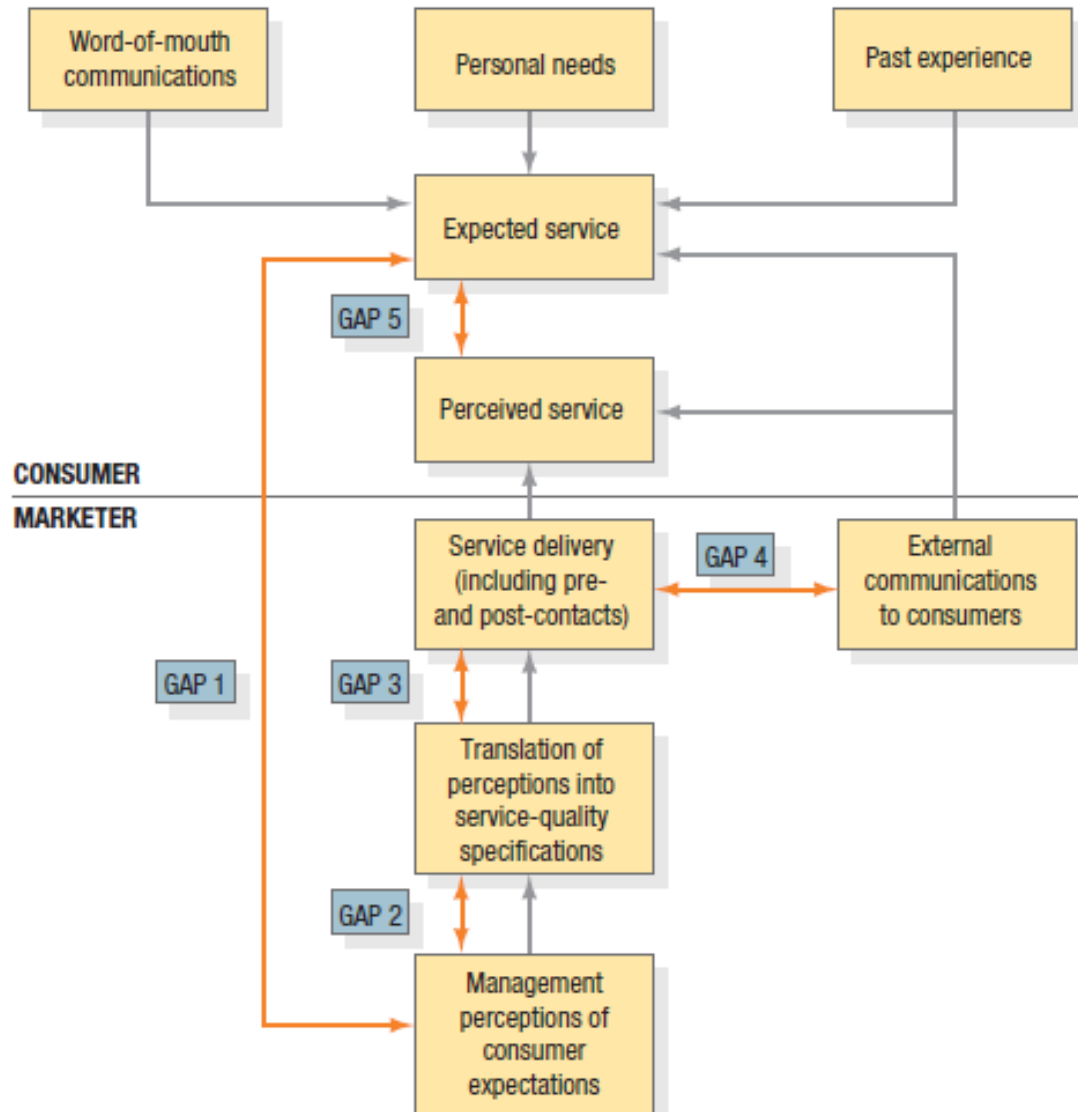
- Customer moved
- Provider closed



# Improving Service Quality

- Listening
- Reliability
- Basic service
- Service design
- Recovery
- Surprising customers
- Fair play
- Teamwork
- Employee research
- Servant leadership

# Service-Quality Model



# Determinants of Service Quality

1. **Reliability**—The ability to perform the promised service dependably and accurately.
2. **Responsiveness**—Willingness to help customers and provide prompt service.
3. **Assurance**—The knowledge and courtesy of employees and their ability to convey trust and confidence.
4. **Empathy**—The provision of caring, individualized attention to customers.
5. **Tangibles**—The appearance of physical facilities, equipment, personnel, and communication materials

**TERRA**