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
Figure 1.1
Contributions of Service Industries to U.S. Gross Domestic Product

Figure 1.2
Tangibility Spectrum

Tangible Dominant

Salt
Soft Drinks
Detergents
Automobiles
Cosmetics
Fast-food Outlets

Intangible Dominant

Fast-food Outlets
Advertising Agencies
Airlines
Investment Management
Consulting
Teaching
Figure 1.3

Percent of U.S. Labor Force by Industry

Figure 1.4
Percent of U.S. Gross Domestic Product by Industry

### Table 1.2

**Goods versus Services**

<table>
<thead>
<tr>
<th>Goods</th>
<th>Services</th>
<th>Resulting Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible</td>
<td>Intangible</td>
<td>Services cannot be inventoried.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services cannot be easily patented.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services cannot be readily displayed or communicated.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pricing is difficult.</td>
</tr>
<tr>
<td>Standardized</td>
<td>Heterogeneous</td>
<td>Service delivery and customer satisfaction depend on employee and customer actions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service quality depends on many uncontrollable factors.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>There is no sure knowledge that the service delivered matches what was planned and promoted.</td>
</tr>
<tr>
<td>Production separate from consumption</td>
<td>Simultaneous production and consumption</td>
<td>Customers participate in and affect the transaction.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customers affect each other.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employees affect the service outcome.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Decentralization may be essential.</td>
</tr>
<tr>
<td>Nonperishable</td>
<td>Perishable</td>
<td>Mass production is difficult.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>It is difficult to synchronize supply and demand with services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services cannot be returned or resold.</td>
</tr>
</tbody>
</table>

Characteristics of Services Compared to Goods

- Intangibility
- Heterogeneity
- Simultaneous Production and Consumption
- Perishability
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
- 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 personalization
- Ensuring the delivery of consistent quality
Traditional Marketing Mix

- All elements within the control of the firm that communicate the firm’s capabilities and image to customers or that influence customer satisfaction with the firm’s product and services:
  - Product
  - Price
  - Place
  - Promotion
Expanded Mix for Services --
The 7 Ps

- Product
- Price
- Place
- Promotion
- People
  - All human actors who play a part in service delivery and thus influence the buyer’s perceptions: namely, the firm’s personnel, the customer, and other customers in the service environment.
- Physical Evidence
  - The environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.
- Process
  - The actual procedures, mechanisms, and flow of activities by which the service is delivered—the service delivery and operating systems.
Table 1.3
Expanded Marketing Mix for Services

<table>
<thead>
<tr>
<th><strong>Product</strong></th>
<th><strong>Place</strong></th>
<th><strong>Promotion</strong></th>
<th><strong>Price</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical good features</td>
<td>Channel type</td>
<td>Promotion blend</td>
<td>Flexibility</td>
</tr>
<tr>
<td>Quality level</td>
<td>Exposure</td>
<td>Salespeople</td>
<td>Price level</td>
</tr>
<tr>
<td>Accessories</td>
<td>Intermediaries</td>
<td>Selection</td>
<td>Terms</td>
</tr>
<tr>
<td>Packaging</td>
<td>Outlet locations</td>
<td>Training</td>
<td>Differentiation</td>
</tr>
<tr>
<td>Warranties</td>
<td>Transportation</td>
<td>Incentives</td>
<td>Discounts</td>
</tr>
<tr>
<td>Product lines</td>
<td>Storage</td>
<td>Advertising</td>
<td>Allowances</td>
</tr>
<tr>
<td>Branding</td>
<td>Managing channels</td>
<td>Media types</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>People</strong></th>
<th><strong>Physical Evidence</strong></th>
<th><strong>Process</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Facility design</td>
<td>Flow of activities</td>
</tr>
<tr>
<td>Recruiting</td>
<td>Equipment</td>
<td>Standardized</td>
</tr>
<tr>
<td>Training</td>
<td>Signage</td>
<td>Customized</td>
</tr>
<tr>
<td>Motivation</td>
<td>Employee dress</td>
<td>Number of steps</td>
</tr>
<tr>
<td>Rewards</td>
<td>Other tangibles</td>
<td>Simple</td>
</tr>
<tr>
<td>Teamwork</td>
<td>Reports</td>
<td>Complex</td>
</tr>
<tr>
<td>Customers</td>
<td>Business cards</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>Statements</td>
<td>Customer</td>
</tr>
<tr>
<td>Training</td>
<td>Guarantees</td>
<td>involvement</td>
</tr>
</tbody>
</table>