

WEEK 1 - INTRODUCTION TO SERVICES

Differences between goods and services: -

Goods: They are devices, objects or things. They are tangible dominant.

Services: They are deeds, efforts or performances. They are intangible dominant.

Service Delivery Model:

Consumers are purchasing an experience that is influenced by:

Factors visible to the customer:

- The Servicescape/Physical Evidence
- Contact Personnel
- Other Customers

Factors invisible to the customer:

- Organisations and systems

Characteristics of services: -

- Heterogeneity (Variability)
- Intangibility
- Perishability
- Inseparability

- Ownership (often referred to as the 5th difference - like perishability)

Intangibility:

Services cannot be touched, seen, tasted. They are intangible performances (i.e. very little physical evidence)

There is a degree of risk associated with a service purchase - particularly first time users.

Marketing problems: -

- Lack of service inventories
- Lack of patent protection
- Difficulty in displaying or communicating services
- Difficulty in pricing services

Management response to Marketing Problems: -

- Stress tangible cues (e.g. photos and awards proving credibility on a website)
- Use personal sources of information
- Create a strong organisational image

Credence quality - “a benefit/impact that is often difficult to ascertain”

Inseparability:

Whereas goods are first produced, sold and then consumed; services are sold first and then produced and consumed simultaneously

Marketing problems: -

- Physical connection of the service provider to the service
- Involvement of the customer in the production process
- Involvement of other customers in the production process
- Special challenges in mass production of services

Management response to Marketing Problems: -

- Selecting and training frontline personnel
- Customer management
- Use of multi-site locations
- Service recovery

Heterogeneity:

The potential for service performance to vary between one service transaction and the next.

Marketing problems: -

- Quality control

Management response to Marketing Problems: -

- Customisation
- Standardisation

Perishability:

Services cannot be saved; their unused capacity cannot be reserved and they cannot be inventoried

Marketing problems: -

- Absence of inventories for services (no use for unsold stock)
- Problematic for services with fixed supply and fluctuating demand (eg. airlines, golf courses, public transport, fitness centres)

Management response to Marketing Problems: -

Demand Strategies

- Creative pricing (to create demand during slow periods)
- Queuing and reservation systems
- Development of complementary services
- Development of non-peak demand

Supply Strategies

- Use of part time staff
- Sharing of facilities
- Utilisation of third parties
- Extension of operating hours
- Peak time efficiency routines
- Increase in customer participation
- Allowing customers to perform tasks (self-serve)

Marketing Mix:

- Product
- Price
- Promotion
- Place

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- People (all human factors who play a part in the delivery of the service. Other customers may enhance or detract from the service eg. footy; Staff require technical & interpersonal skills; Customer contributes to the service eg. following a fitness instructor's plan)
- Physical Evidence (servicescape - interior & exterior - furnishings, signage, staff appearance)
- Process (the procedures, mechanisms & flow of activities that deliver the service)

Classification of Services:

- Mental Stimulus processing (education, entertainment)
- Information processing (Legal services, research)
- People processing (medical)
- Possession processing (dog washing, baggage handling)

Service Economy

- Service is 70%-80% of ANZ GDP
- Employs 85% of all AU workers

Factors responsible for the transformation of the service economy:

- Technology (eBay)
- Competitive influences (off-shoring; outsourcing; industrialisation)
- Social-cultural influences (more women; ageing population)

Moments of truth & critical incidents

(employee responses to service failure; unprompted actions; cycle of success/cycle of failure)

Keys to success:

WEEK 2 - THE CONSUMER DECISION PROCESS IN SERVICES

The decision-making process comprises 3 stages:

- Pre-purchase
- Purchase/Consumption
- Post-purchase

Pre-purchase stage:

- Stimulus
- Problem Awareness
- Information Search
- Evaluation of Alternative Solutions
- Systematic or Non-Systematic evaluation

Special considerations of **pre-purchase** stage:

- Perceived risk
- Role of personal sources of information
- Fewer alternatives to consider
- Self-service is a viable option

Systematic or non-systematic evaluation of alternative solutions:

Multi-attribute Models:

- Linear compensatory approach - Multiply the rating for each brand
- Lexiographic approach minimised effort - Each attribute is valued in turn

Consumption stage:

- Production & consumption happen simultaneously
- Purchase decision made and implemented
- Face-to-face or arm's length transactions
- Process - buying; using and disposing of a product

Special considerations of **consumption** stage:

- Service experience
- Influence of culture

Post-purchase stage:

- Where the customer evaluates their satisfaction with the purchase
- Influence of satisfaction of Word-of-Mouth and repeat purchase
- Cognitive dissonance