

# Introduction to Services Marketing

# Services Marketing

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# Introduction to Services Objectives

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- Understand what services are.
- Understand the need for special services marketing concepts.
- Outline the basic differences between goods and services.

# Services Can Mean All of These

- Service as a product
- Service imbedded in a tangible product
- Customer service

# 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

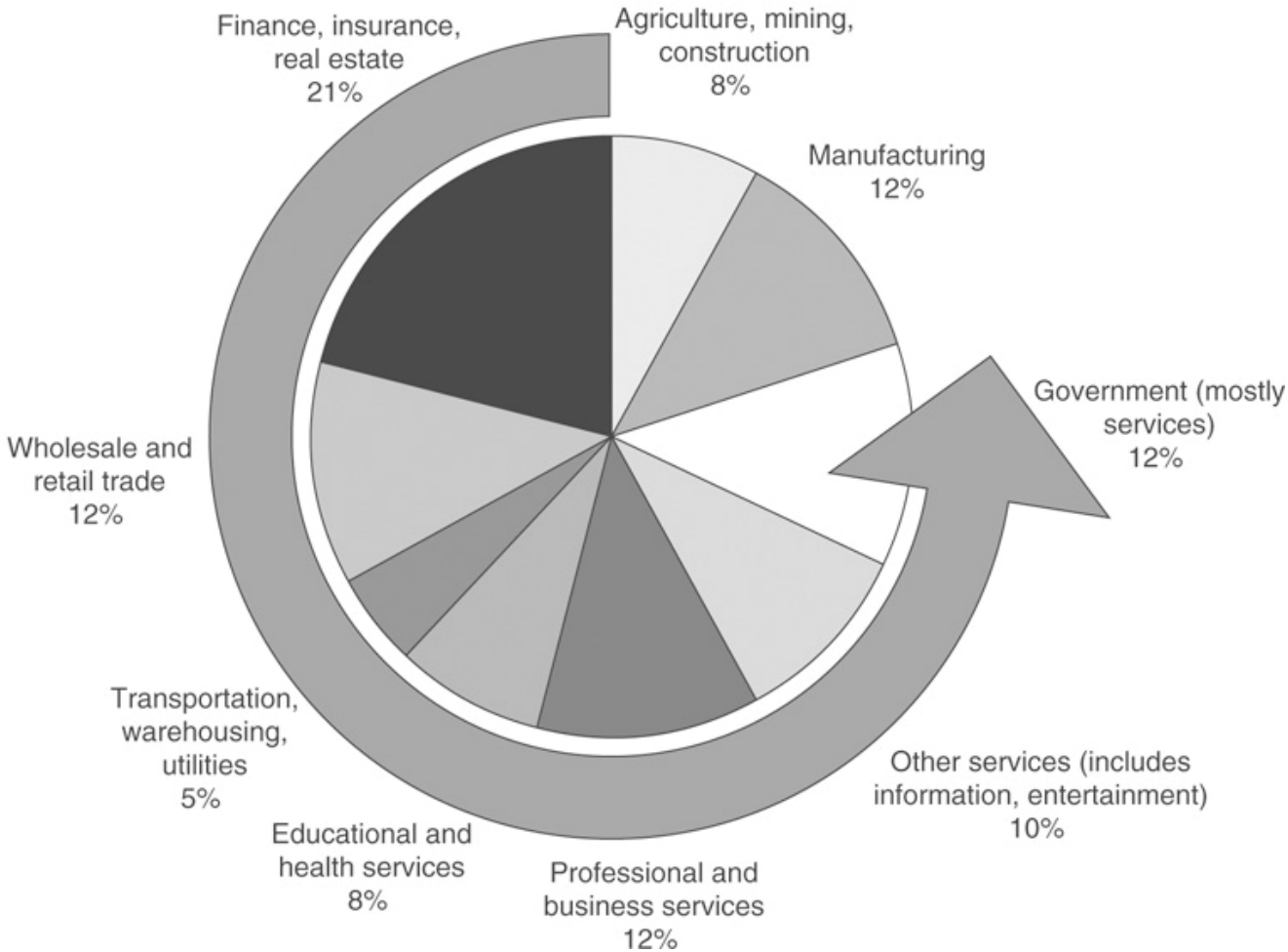
# Why study Services Marketing?

- Growth in 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

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

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

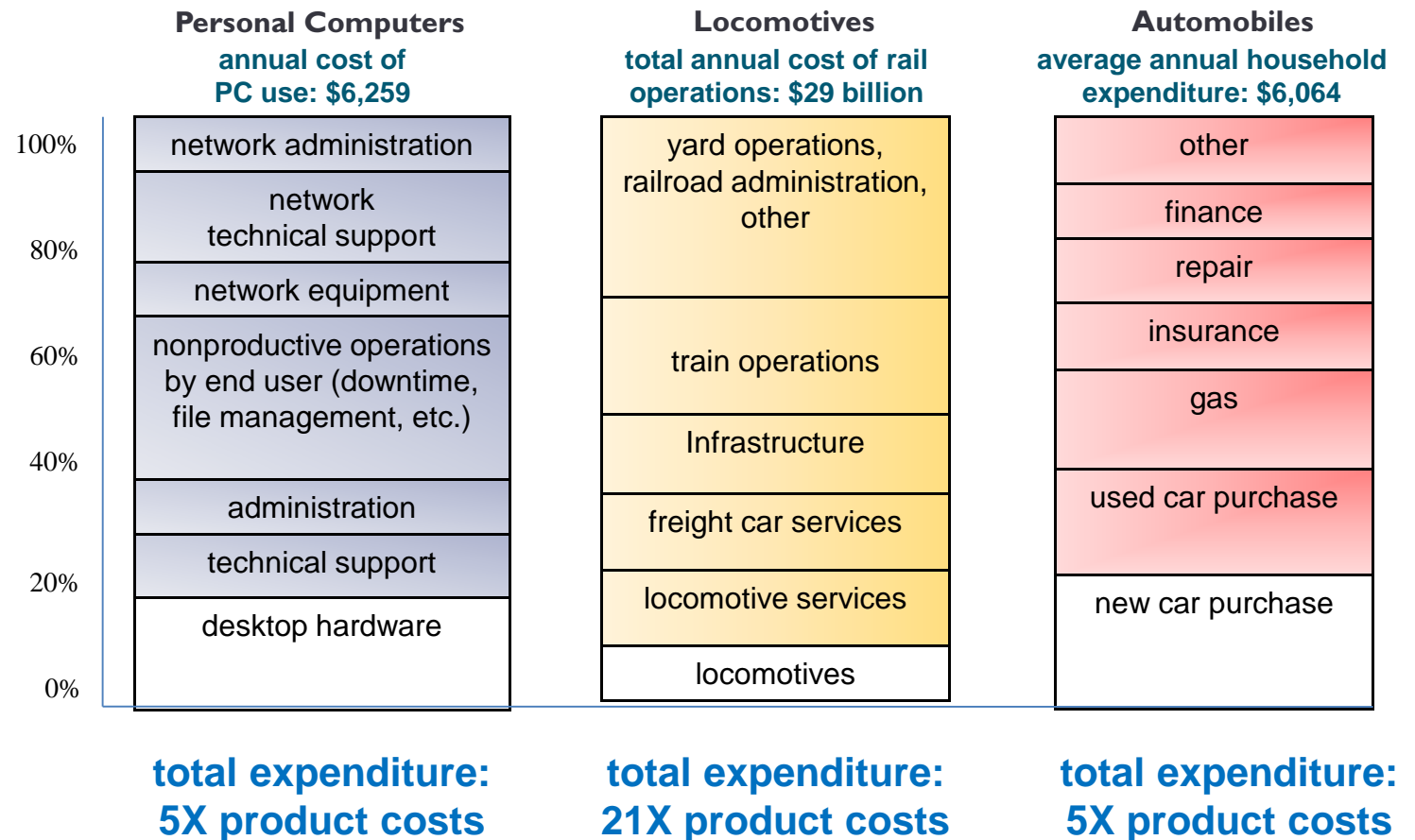
Source: *Survey of Current Business*, May 2007, p. 19, Table 2.



# Where the Money in Manufacturing Is: Services

The sale of a product accounts for only a small portion of overall revenues.

Providing services to customers is where the real money is.



Source: GartnerGroup, Association of American Railroads, Federal Highway Administration Office of Highway Information Management. (Railroad expenditures are for Class 1 railroads.)

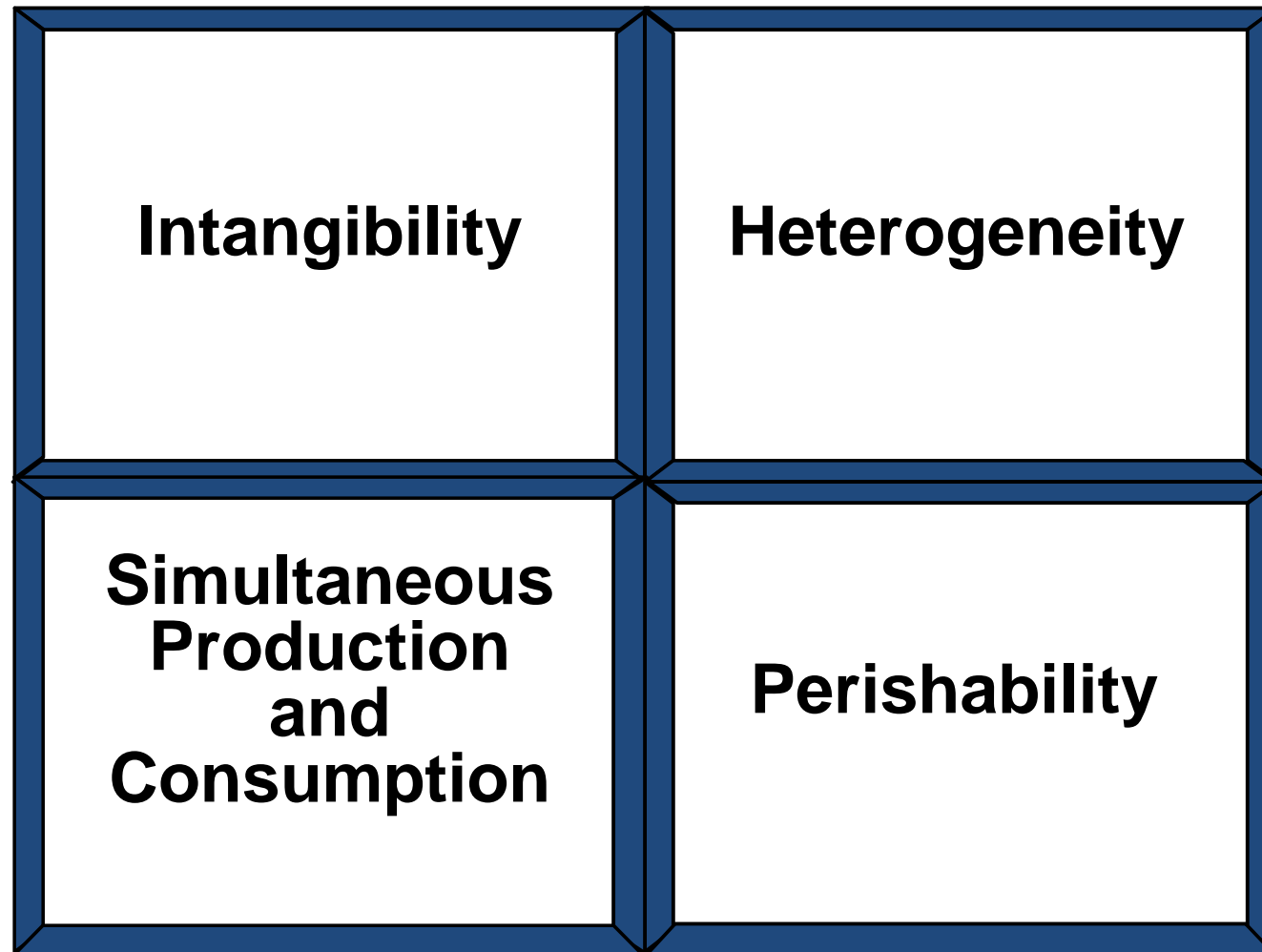


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# Characteristics of Services Compared to Goods

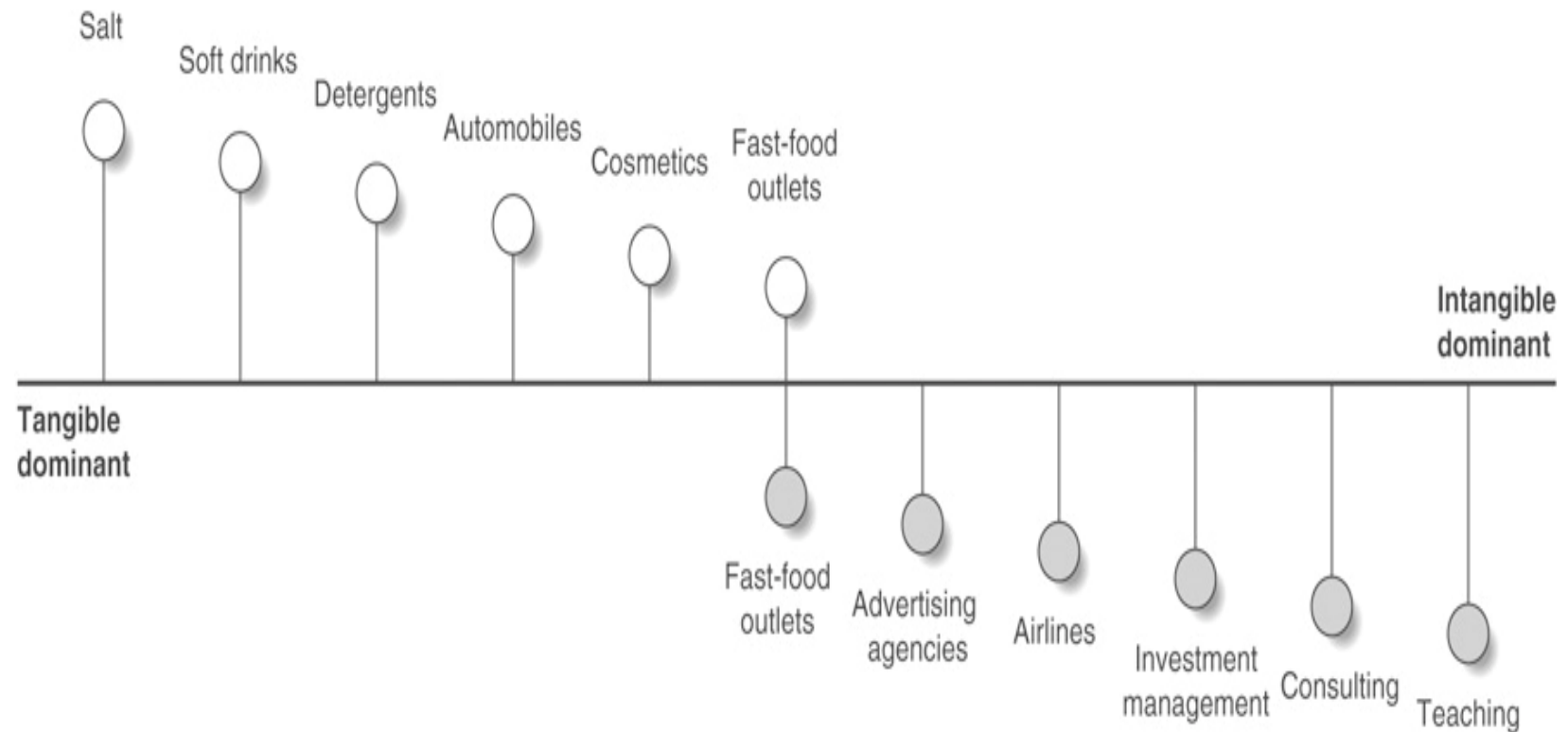
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# Tangibility Spectrum

**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.



# 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

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- 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

# 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