

the uniqueness of services

- services
 - intangible activities or benefits that an organization provides to satisfy consumers needs in exchange for money or something else of value
- services have become a significant component of the global economy and one of the most important components of the U.S. economy
 - in the united states more than 47% of the GDP now comes from services
- services also represent a large export business
 - the \$560 billion of service exports in 2010 is one of the few areas in which the united states has a trade surplus
- the growth of this sector is the result of increased demand for services that have been available in the past and the increasing interest in new services

the 4 I's of service

- the four I's of service
 - intangibility
 - inconsistency
 - inseparability
 - inventory

intangibility

- services are intangible
 - they cant be touched, held, or seen before the purchase decision
- because services tend to be a performance rather than an object, they are more difficult for consumers to evaluate
 - to help consumers assess and compare services, marketers try to make them tangible or show the benefits of using the service

inconsistency

- developing, pricing, promoting, and delivering services is challenging because the quality of a service is often inconsistent
 - because services depend on the people who provide them, their quality varies with each person's capabilities and day-to-day job performance
- inconsistency is much more of a problem in services than it is with tangible goods
 - tangible products can be good or bad in terms of quality, but with modern production lines the quality will at least be consistent
- organizations attempt to reduce inconsistency through standardization and training

inseparability

- a third difference between services and goods, and related to problems of consistency, is inseparability
 - in most cases the consumer cannot separate the deliverer of the service from the service itself
- the amount of interaction between the consumer and the service provider depends on the extent to which the consumer must be physically present to receive the service
- finally services such as banking, consulting, and insurance can now be delivered electronically
- while this approach can create value for consumer a disadvantage of some self service technologies is that they are perceived as being less personal

inventory

- inventory problems exist with goods because many items are perishable and because there are costs associated with handling inventory
- with services inventory carrying costs are more subjective and are related to idle production capacity
 - when the service provider is available but there is no demand for the service
 - the inventory cost of a service is the cost of paying the person used to provide the service along with any needed equipment

- inventory carrying costs can be significantly lower or nonexistent because the idle production capacity can be cut back by reducing hours, or having no salary to pay because of the commission compensation system
- one reason service providers must maintain production capacity is because of the importance of time to today's customers

the service continuum

- the four I's differentiate services from goods in most cases but many companies are not clearly service based or good based organizations
- what companies bring to the market ranges from the tangible to the intangible
 - o this range of product-dominant to service dominant offerings is referred to as the service continuum
- for many businesses today it is useful to distinguish between their core offering
 - o either a product or a service and supplementary services
- supplementary services often allow service providers today differentiate their offering from competitors and they may add value for consumers
 - o while there are many potential supplementary services, key categories of supplementary services include consultation, finance, shipping, installation, maintenance, and upgrades

classifying services

- services can also be classified in several ways according to whether
 - o they are delivered by people or equipment
 - o they are for profit or nonprofit
 - o they are government sponsored

delivery by people or equipment

- equipment based services do not have the marketing concerns of inconsistency
 - o because people are removed from the provision of the service
- electric utilities for example can provide a service without frequent person contact with customers

profit or nonprofit organizations