

Chapter 12 -- Managing Services

Introduction

"Ruby Tuesday Blows up Wrong Restaurant"

The Point

In SERVICES marketing, the "casual dining segment" HAS become a "sea of sameness!"

The industry is not longer providing customers with "Value."

- I. **Services are a Major Factor in the U.S. economy in dollars and in jobs**
Over \$5.5 Trillion and 116 million jobs! (Casual dining \$75 billion)

See Figure 12-1 page 298.

II. SERVICES Defined

- a) Services are the intangible activities or benefits that an organization provides to consumers in exchange money or something else of value.

III. Increase in Services Influenced by:

- a) Organizations' focus on productivity and profits
 - i) Casual dining segment's same store sales down 1.8% and same store traffic down 4.3% January to Aug 2008
- b) Consumers' poverty of time
 - i) Personal Shoppers
 - ii) Take out food
 - iii) House and lawn care

IV. Affecting virtually all industries:

- a) Location--ATMs, branch outlets, branch warehouses, JIT delivery

- b) Longer Business Hours
- c) Better trained sales and service people
- d) One-stop shopping (walmart)
- e) Improved customer service systems (personal, phone, on-line)
- f) More information available--before, during, and after the sale
- g) ADDS VALUE beyond issues of price and product quality

v. THE UNIQUENESS OF SERVICES

a) Four I's of Services

i) Intangibility

- (1) Services cannot be seen, touched, tasted, felt, etc.
- (2) SO it is harder to communicate service features and quality
- (3) Communications must make these tangible by relating to familiar situations.
- (4) Setting Price can be hard.

ii) Inconsistency

- (1) Lack of standardization;
- (2) inconsistent delivery and quality depending on the person performing the job.

- (3) Minimize by employee selection, training, and
- (4) service performance standards.

iii) Inseparability

- (1) Simultaneous production and consumption means
 - (a) consumers are a part of the service process;
 - (b) We must manage the interaction for customer satisfaction;
 - (c) educate consumers about the service process and their role in it.

iv) Perishability/Inventory

- (1) Services cannot be inventoried, so it is hard to balance capacity and demand;
- (2) cannot return service for credit or exchange;
- (3) need to manage demand in peak periods; use capacity in off-periods
- (4) Idle production capacity occurs when the service provider is available but there is no demand.

vi. Inventory carrying costs of services depend on the cost of employees and equipment

