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## UNIT 2 CONCEPTUAL FRAMEWORK FOR SERVICES MARKETING

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### Learning Outcomes

After studying this unit, you should be able to:

- explain the characteristics of services and their marketing implications
- assess the ways in which services are classified
- analyse the services marketing mix.
- apply the strategic function of service marketing triangle framework
- appreciate the profound impact of technology on service.

### Structure

- 2.1 Introduction
- 2.2 Characteristics of Services
- 2.3 Service Classifications
- 2.4 The Services Marketing Mix
- 2.5 The Services Marketing Triangle
- 2.6 Service and Technology
- 2.7 Summary
- 2.8 Keywords
- 2.9 Self- Assessment Questions
- 2.10 Further Readings and References

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### 2.1 INTRODUCTION

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We introduced the concept of a service and the dominance of the service sector in global economies in unit 1 of the course. As a result of the growth of the service sector, challenges affecting industries in this sector globally have received increased attention. A service business is one in which the buyer's perception of the value of the offering is mostly based on the services rendered to him rather than the products made available. We tend to think about the marketing of services in a more limited way when we use a framework designed for the marketing of tangible goods. A service, however, cannot be owned because it is not a physical object. The only thing we take home after paying for a hotel room is the experience of the night we spent there. When we fly, an aeroplane transports us; we do not own it. Shostack, G.L., observed, "It is wrong to imply that services are just like products 'except' for intangibility." By such logic, apples are just like oranges, except for their "apple-ness." "Services are different, so services marketing is different."

Over time, it became apparent that service marketing requires a unique marketing strategy because services and goods are very distinct from one another. In this unit, we will discuss the distinctive characteristics of services and develop a conceptual framework for understanding the marketing of services.

## 2.2 CHARACTERISTICS OF SERVICES

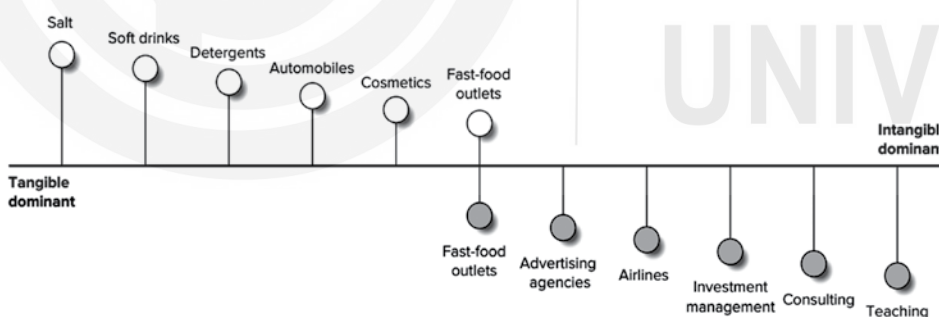
Services have a number of unique characteristics that make them so different from products. Some of the most commonly accepted characteristics are:

- a) Intangibility
- b) Inseparability
- c) Heterogeneity
- d) Perishability
- e) Ownership

### Intangibility

When you buy a cake of soap, you can see, feel, touch, smell and use it to check its effectiveness in cleaning. But when you pay fees for a term in college, you are paying for the benefit of deriving knowledge and education which is delivered to you by teachers. In contrast to the soap where you can immediately check its benefits, there is no way you can do so in case of the teachers who are providing you the benefits. Teaching is an intangible service. When you travel by an aeroplane, the benefit which you are deriving is a service (transaction) but it has some tangible aspects such as the particular plane in which you fly (and the food and drink which is served). In this case the service has both a tangible and intangible aspect as compared to teaching which has hardly any tangible aspect. Figure 2.1 presents the tangible-intangible dominant aspect on a goods-service continuum. This continuum highlights the fact that most services are in reality a combination of products and services having both tangible and intangible aspects. There are only a few truly pure tangible products or pure intangible services.

**Figure 2.1: Goods Services Continuum**



**Source:** L. G. Shostack, "Breaking Free from Product Marketing," *Journal of Marketing* 41 (April, 1977), pp. 73–80, American Marketing Association.

The distinguishing feature of a service is that its intangible aspect is dominant. J. Bateson has described the intangible characteristics of services which make them distinct from products. These intangible features are:

- A service cannot be touched
- Precise standardisation is not possible
- There is no ownership transfer
- Production and consumption are inseparable

- There are no inventories of the service
- The consumer is part of the production process so the delivery system must go to the market or the customer must come to the delivery system.

### **Inseparability**

In most cases a service cannot be separated from the person or firm providing it. A service is provided by a person who possesses a particular skill (singer), by using equipment to handle a tangible product (dry cleaning) or by allowing access to or use of physical infrastructure (hotel, train). A plumber has to be physically present to provide the service, the beautician has to be available to perform the massage. This is in direct contrast to products which can be produced in the factory today, stocked for the next two, three or more months and sold when an order is procured.

### **Heterogeneity**

The human element is very much involved in providing and rendering services and this makes standardisation a very difficult task to achieve. The doctor who gave you his complete attention in your last visit may behave a little differently the next time. The new bank clerk who cashed your cheques may not be as efficient as the previous one and you have to spend more time for the same activity. This is despite the fact that rules and procedures have been laid down to reduce the role of the human element and ensure maximum efficiency.

Airlines, restaurants, banks, hotels have large number of standardised procedures. You have to reserve a room in a hotel and this is a straight forward procedure for which all the steps are clearly defined. Human contact is minimal in the computerised reservation systems, but when you go to the hotel there will be a person at the reception to hand over the key of your room. The way this person interacts with you will be an important factor in your overall assessment of the service provided by the hotel. The rooms, the food, the facilities may be all perfect, but it is the people interacting with you who make all the difference between a favourable and unfavourable perception of the hotel.

### **Perishability**

Services cannot be stored and are perishable. A car mechanic who has no cars to repair today, spare berths on a train, or unsold seats in a cinema hall represent a service capacity which is lost forever. Apart from the fact that a service not fully utilised represents a total loss, the other dimension of this perishability aspect is that most services may face a fluctuating demand. There is a peak demand time for buses in the morning and evening (office hours). Certain train routes are always more heavily booked than others. This fluctuating demand pattern aggravates the perishability characteristic of services.

### **Ownership**

When you buy a product you become its owner-be it a pencil, book, shirt, refrigerator or car. In the case of a service, you may pay for its use but you never own it. By buying a ticket you can see the evening film show in the local cinema theater; by paying wages you can hire the services of a chauffeur who will drive your car; by paying the required charges you can

have a marketing research firm survey into the reasons for your product's poor sales performance, etc. In case of a service, the payment is not for purchase, but only for the use or access to or for hire of items or facilities.

A service is purchased for the benefits it provides. If we closely examine the reasons why products are purchased, we find that they are bought because they provide certain intangible benefits and satisfactions. Detergent powder provides the primary benefit of cleanliness, air-conditioners provide the benefit of a cool, comfortable environment, a mixer-cum-grinder provides convenience. The only difference between products and services is that in the latter, the intangible component is greater than in the former. Thus, services can be treated as a special kind of product.

From a marketing view-point, the same concepts and techniques are applicable for both products and services. The successful marketing of both requires market research, product design, product planning and development, pricing, promotion and distribution. However, for marketing services, the marketing manager must understand the nature of the five characteristics of services and the manner in which they impinge on the marketing strategy.

Table 2.1 describes the implications of characteristics of services and how the marketing strategy can be focused to overcome these constraints. Besides the constraints highlighted in Table 2.1 are some other factors which have inhibited the active marketing of services. Professionals such as doctors and lawyers have traditionally been opposed to the idea of marketing, rather they have relied on the word of mouth of satisfied customers for increasing their clientele.

**Table: 2.1: Implication of service characteristics and ways of overcoming them**

Service characteristics	Implications	Means of overcoming characteristics
Intangibility	Sampling difficult. Difficult to judge quality and value in advance. Not possible to patent or have copyright. Relatively difficult to promote	Focus on benefits. Use brand names. Personalise service. Develop reputation. Increase tangibility (e.g., its physical representation)
Inseparability	Requires presence of performer/producer. Direct sale. Limited scale of operations. Geographically limited market	Learn to work in larger groups. Work faster. Train more service performers.
Heterogeneity	Difficult to standardise quality.	Careful selection and training of personnel. Define behaviour norms. Reduce role of human element. Mechanise and automate maximum possible operations.

Perishability	Cannot be stored. Problem of demand fluctuation	Better match between supply and demand by price reduction in low demand season
Ownership	Customer has access to but not ownership of facility or activity.	Stress advantages of non-ownership such as easier payment scheme.

*Source: Cowell, Donald, 'The Marketing of Services'. Heinemann, London.*

The small size of many service organisations such as beauty parlours, repair shops, barber shops etc. also limits the use of marketing techniques which can be successfully used in larger organisations and then there is the case of service organisations such as schools, hospitals and, universities which enjoy more demand than they can cope with. Therefore, these organisations have never felt the need to promote their services in an active manner in the past. However, due to increased competition, an increase in the number of service facilities, and an increasing number of private institutions participating in the education and healthcare sectors, these sectors are promoted heavily.

**Activity 1**

Looking at inseparability of the service and its producer as a major characteristic that distinguishes products and services, you can imagine the implications for marketing the services of consultants, musicians, stage performers and advertising creatives. Talk to some of these people or organisations to find out in what ways have they tried to overcome the marketing implications of inseparability.

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**2.3 SERVICE CLASSIFICATIONS**

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A larger number of classification schemes for services have been developed to provide strategic insights in managing them. Utilizing different bases, these schemes allow us to understand the nature of the service act, the relationship between service organisation and its customers, the nature of service demand and the attributes of a service product. Let us discuss the schemes briefly.

**2.3.1 The Nature of the Service Act**

Using two dimensions of tangibility of the service act and to whom services are directed at. Lovelock has classified services according to whether services are directed at people or possessions, at minds, physical possessions or assets. Table 2.2 will help you understand this classification scheme.

**Table 2.2: Four Broad Classification of Services**

Nature of the Service Act	Services Directed At	
	People	Possessions
<b>Tangible Actions</b>	<b>Services directed at people's bodies</b> Health care Salons Restaurant Passenger Transportation	<b>Services directed at goods, physical possessions</b> Freight transportations Laundry and Dry cleaning Lawn care
<b>Intangible Actions</b>	<b>Service directed at People's minds</b> Broadcasting Education Information Museums	<b>Services directed at intangible assets</b> Accounting Banking Insurance Legal services

*Source: Adapted from Lovelock, and Wirtz (2022), Services marketing: people, technology, strategy, Ninth edition.*

### 2.3.2 Relationship between Service Organisation and Customers

In the service sector both institutional and individual customers may enter into continuing relationships with service providers and opt for receiving services continually. Services can therefore be classified on the basis of whether the nature of the relationship is continuous or intermittent and whether a consumer needs to get into a membership relationship with the service organisation to access and utilise the service.

**Table 2.3: Services and Customer Relationships**

Nature of Delivery	Type of Relationship	
	Membership	Non-membership
Continuous	Insurance Education Banking	Police protection Public highway
Discrete	Theatre seat subscrip- tion Commuter tickets	Car rental Pay telephone Restaurant

### 2.3.3 How the Service is delivered

Lovelock has used two issues of number of delivery sites (whether single or multiple) and the method of delivery to classify services in a  $2 \times 3$  matrix. Then implications here are that the convenience of receiving the service is the lowest when the customer has to come to the service and must use a single or specific outlets. As his options multiply, the degree of convenience can go on rising, from being able to choose desirable sites, to getting access at convenient locations. (Table 2.4.)

**Table 2.4 Service Delivery Modes**

Service Delivery Modes		
Nature of Interaction between Customer and Organisation	Availability of outlets	
	Single site	Multiple site
Customer goes to service organisation	Theatre	Bus Service Fast Food Chain
Service organisation comes to the customer	Lawn care Pest control	Mail delivery Emergency auto repair
Customer and organisation transact at arm's length	Credit cards Local TV station	Telephone company Broadcasting

### 2.3.4. Proportion of Tangibility and Intangibility

Using the characteristic of intangibility of services, Shostack proposed that all goods and services can be placed on a tangibility intangibility continuum, with services clustering towards low to high intangibility. Accordingly, services can be classified as those with a low intangibility content (a fast-food restaurant) and a pure service, having very high intangibility content (Education, Consultancy, Medical advice).

### 2.3.5. Service Inputs

Services based on this criterion have been classified as primarily equipment based or primarily people-based service depending upon which input is primary applied to get service outputs. The equipment-based services can be further classified according to whether they are fully automated, or consist of equipment monitored by unskilled persons (lift operators, delivery van personnel) or need the presence of skilled personnel to man the equipment (quality control, diagnostics services).

### 2.3.6 Contact between the Consumer and the Service Provider

Services also differ in the extent of contact that needs to be maintained between the User and Provider, the marketing implication in this case being the necessity of physical presence of the provider as well as need to manage desired quality of personnel in case of high contact services. On this basis all services can be classified as high contact or low contact services, depending upon the time a user needs to spend with the service organization/provider in order to utilize/acquire the service. Examples of low contact services are telecommunications, dry cleaning and broadcasting while high contact services are education, hospitality, theatre performance.

### 2.3.7 Profit and Public vs Private Services

Service can also be classified on the basis of whether they are primarily directed at public at large or primarily at individuals. The public services include utilities and infrastructural services like transport and communication. They also include services provided by the state for public welfare like hospitals, educational and vocational institution, parks and museums etc. The private services on the other hand include the whole gamut of service designed for and consumed by customers as individuals

for example, restaurants, beauty care and medical advice. The implications underlined by this classification manifest themselves in issues regarding planning and design of service for public vs. private consumption. Involved here are issues of process, volume and distribution of services when they are designed as public services. Services have also been classified by Kotler, as services designed for profit and non-profit services, depending upon the marketing objectives to be pursued in the exchange of services.

**Activity 2**

Discuss some of your experiences with low-contact and high-contact services that have been offered to you.

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## 2.4 THE SERVICES MARKETING MIX

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The unique characteristics of services make the traditional 4 P marketing mix seem inadequate. Careful management of these 4 Ps – Product, Price, Place and Promotion though essential, are not sufficient for successful marketing of services. Further the strategies for the four Ps require some modification while applying to services.

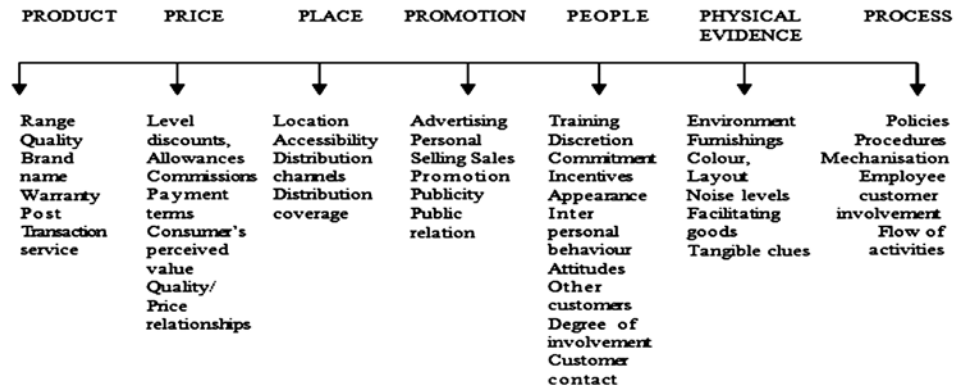
Since services are produced and consumed simultaneously, the contact personnel or the service delivery personnel become extremely important. It is during these encounter of service providers and customers i.e., the process – on which a lot depends with regards to the final outcome as well as the overall perception of the service by the customer. The actual physical surroundings during these encounters have also a substantial bearing on the service delivery.

All these facts lead to the development of an expanded marketing mix with three new P's added to the traditional mix (figure 2.2). These are: people, physical evidence, and process.

- **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 system



Figure 2.2: The Marketing Mix for Services



*Source: Booms, B.H. and Bitner, M.J, Marketing Strategies and Organisation Structure for Services Firms, in Donnelly J and George W.R. (eds), Marketing of Services, AMA, 1981*

**Activity 3**

Select a service provider that you are familiar with, and explain how each of the seven Ps of services marketing applies to one of its services.

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**2.5 THE SERVICES MARKETING TRIANGLE**

Services are produced, delivered, and consumed simultaneously, hence the nature of marketing departments and marketing functions change significantly from that of goods. The marketing functions all activities which influence the preferences of the consumers towards the offerings—is mainly handled by marketing departments in case of goods. Here as far as consumers are concerned, marketing departments (the organizational entity which is responsible for some, but not necessarily all marketing activities performed by the firm) can plan and implement most of the marketing activities i.e., the marketing department is able to control almost the total marketing function. In the service sector the situation is entirely different.

A traditional marketing department in services can only control a minor part of the marketing function. Usually, it doesn't have the necessary authority to manage the buyer/seller interaction. The marketing department, therefore, cannot plan and implement activities pertaining to interactive marketing function.

Therefore, the marketing function, which is a key function in service sector require a special treatment. The total marketing in services include three different types of marketing as shown in Figure 2.3. The service triangle is a strategic framework that shows how the company (or “management”), the consumers, and the employees (or providers) collaborate to develop, promote, and deliver services. For a service to be successful, three different

types of marketing—external marketing, interactive marketing, and internal marketing—must be successfully implemented. The firm’s external marketing initiatives, which are placed on the right side of the triangle, are used to raise customer expectations and make promises to them about what will be delivered. At the bottom of the triangle lies Interactive marketing or real-time marketing. Here is where the firm’s employees, representatives, or subcontractors fulfil or disregard their commitments. If promises are not kept, customers eventually feel dissatisfied and quit.

**Figure 2.3: The Services Marketing Triangle**



Internal marketing has a crucial function to play, as indicated by the triangle’s left side. Some of the measures management takes to help the service providers fulfil their commitments include hiring, training, motivating, rewarding, and providing tools and technology. The company will not succeed unless its service personnel are competent and willing to fulfil the promises made. All three sides of the triangle are equally important, and they must be aligned.

As can be seen from the triangle, the traditional marketing mix and marketing departments basically address to ‘External Marketing’ only. However, all three sides are critical to successful services marketing and the triangle cannot be supported in the absence of any one of the sides.

**Activity 4**

Discuss any of your experiences where the services were not provided as promised. What was your response? What would you like to suggest to the service provider to avoid such incidents in the future?

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**2.6 SERVICE AND TECHNOLOGY**

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The service sector is changing as a result of information technology, which also has a big impact on how service marketing is conducted. Currently,

globalisation and the impact of technology are the two major trends affecting service marketing. According to Roland T. Rust and Ming-Hui Huang, “information technology is causing a “service revolution,” resulting in an expansion of the service sector and an increased importance of service in all categories of the economy.”

An insightful way to think about how technology has changed society is to acknowledge that the Internet is essentially “one huge service.” All businesses and organisations that conduct business online are inherently providing services, whether they are sharing information, providing basic customer service, facilitating transactions, or promoting interpersonal relationships.

Technology offers possibilities for new service offerings, as well as ways to deliver existing services in more user-friendly and efficient ways. Innovative business models have been created using new technologies. For example, platform-based online cab services, which use smartphones to connect customers with freelance drivers, and peer-to-peer services for hotel booking etc. Technology makes it easier to conduct transactions (both retail and business-to-business), find more information, as well as provide basic customer service (billing, order tracking, and checking account records, etc.).

Nowadays, smartphones offer a vast array of service apps. Only new technology made it feasible for services like automated voice mail, interactive voice response, real-time messaging, chatbots automated teller machines (ATMs), and others.

Artificial intelligence, big data, cloud computing, user-generated content, mobile communications, networking technologies, and increasingly app-based self-service technologies (SSTs) all contribute to a new era of services. These technologies allow businesses to deliver multi-way information flow, more individualised services, deeper customer relationships, better analytics, higher efficiency, and greater profitability. We will discuss in detail the role of technology in services in unit 14 of this course.

**Activity 5**

Discuss how some of the services you use have been impacted by internet and telecommunications technologies, such as mobile apps.

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**2.7 SUMMARY**

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The unit outlines the distinctive characteristics of services that demand distinct strategies for marketing of services. Intangibility, inseparability, heterogeneity, perishability, and ownership are some of the most commonly accepted characteristics of services. The unit discussed their marketing implications and means of overcoming them. Services can be classified in different ways based on the nature of the service act, the relationship

between the service organisation and its customers, the nature of service demand, and the attributes of a service product. For the successful marketing of services, effective management of the four Ps—product, price, place, and promotion—is necessary but insufficient. This understanding led to the development of an expanded marketing mix that now includes the three additional Ps—people, physical evidence, and process. The service marketing triangle framework explains how three distinct types of marketing—interactive marketing, external marketing, and internal marketing—must be successfully implemented for a service to be successful. The unit ends with highlighting the effects of technological innovation on service marketing.

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## 2.8 KEYWORDS

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**Characteristics of Services:** Services have a number of unique characteristics that make them so different from products. Some of the most commonly accepted characteristics are: Intangibility, Inseparability, Heterogeneity, Perishability, Ownership

**Services Marketing Mix:** also known as 7 Ps- Product, Price, Place, Promotion, People, Physical evidence, and Process.

**Service Triangle:** is a strategic framework that shows how the company (or “management”), the consumers, and the employees (or providers) collaborate to develop, promote, and deliver services

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## 2.9 SELF- ASSESSMENT QUESTIONS

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- 1) How do services differ from products? What are the marketing implications of service characteristics?
- 2) Explain the different classification schemes for services, giving suitable examples.
- 3) Briefly discuss the expanded marketing mix for services
- 4) Discuss the service marketing triangle.
- 5) How is technology changing the nature of customer service and service offerings?

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