7 Services

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"Be our guest,
Be our guest,
Put our service to the test,
Tie your napkin 'round your neck, Cherie,
And we provide the rest.
Soup du jour,
Hot hors d'oeuvres,
Why, we only live to serve,
Try the grey stuff, it's delicious,
Don't believe me? Ask the dishes…"

(Lumiere, *Beauty and The Beast*)

Services are part and parcel of today's globalised, diversified, augmented and extended economy. You can't function in developed society without engaging in a service encounter, nor could you function 2000 years ago. Services are evident all around us and we need to understand their characteristics, the effective means of managing them and indeed how to cope when they go wrong…which they often do.

Introduction

Business concepts have tended to polarise the behaviours of the market between two spheres: production and consumption (Smith, 1776). This was appropriate at the time of the industrial revolution when factories produced goods (production) and people within the household consumed them (consumption); the world was rather simple.

We begin this chapter, by looking at the nature of services. We will start by paying attention to the scope and definition of services – what it is and how the term is used and applied, and then look at the four underpinning characteristics. Service encounters are considered next, exploring the dynamic exchange that takes place between a service provider and a customer. Following this, these elements are considered in relation to the 4Ps model of the marketing mix, and an extended marketing mix concept is presented (the 7Ps). The final section of the chapter explores how services are managed and measured. The chapter finishes with a case study from the hospitality industry.

So, why bother with services? Why are they so important that the subject gets its own chapter in this book? We don't have a chapter on car marketing, for example, so why are we picking on services? The answer is that services are a very big part of global contemporary business. You are over three times more likely to be working for a services company than a manufacturing company when you leave university: the vast majority of jobs in the developed economy are in services.

As the complexity of the market-driven economy has developed, notions of consumption have evolved into a variety of different distinct concepts. Take for example the music streaming platform, Spotify; if you pay for a premium subscription on Spotify you can download and enjoy the music you like wherever and whenever you choose, but what exactly are you buying? You don't own the copies of the music you listen to, and if your subscription ceases you can no longer download your favourite music. In reality you are buying the privilege to access a vast array of music and related content, so it is *access* that is the value proposition of Spotify as a business. Therefore, from a production/consumption perspective, you are not consuming the Spotify product, because the product itself is really a vehicle through which you get access to another product (the music). Equally, Saren (2015) argues that it is theoretically challenging to even consume music since some of the enjoyment of music is in its interaction with your personal emotions, memories, and mood so you in fact have an active role to play when you listen to music; what it means is specific and unique to you.

What Saren (2015) is pointing out is that the traditional approach of polarising market activities between consumption and production is an outmoded way of thinking, and we should be careful about how we use the term 'consumption'. This is where things like Spotify are important in our understanding of contemporary marketing, because it is a business that offers software as a service (SaaS). Most of those clever apps on your smartphone are using software to create a service that somehow improves your life or your state of mind. Understanding how service works and why you must treat it as a stand-alone concept will help you make sense of and work with contemporary marketing activities in a useful way.

The characteristics of services

Service Dominant Logic is the term that represents the move away from polarised marketing concepts to a more nuanced understanding of the role of service. Vargo and Lusch (2008) define this by saying that rather than being categorised as either producing or consuming products, we are actors mobilising resources within networks. This idea of networked actors in the marketplace allows us to acknowledge that we all have roles to play, and very often the 'product' we are 'consuming' in contemporary contexts is not physically tangible, nor is it owned, nor is it a passive experience; we have to contribute in order to get the value from it – we have to perform as customers.

Services cover such industries as wholesale and retail, for example shops and warehouses, transportation and communication. They cover financial intermediation – banks, building societies and insurance companies. They include public administration – city councils, the civil service, and education – health and social services. Significantly, services include the leisure, hospitality and tourism sector – for example pubs, nightclubs and holidays. This is one of the largest economic sectors in the world and employs more people than any other sector. Also, in the not-for-profit sector most organisations have a large element of service delivery as part of their operations.

In economic terms, a service is the non-material equivalent of a good. That is an inverse definition, which is often not very helpful as a definition – it is like saying a cat is a non-dog equivalent of a four-legged mammal. In more useful definitions, service provision has been defined as an economic activity that does not result in ownership (e.g. psychotherapy) and this is what makes it different from providing physical goods (e.g. a pair of socks, a shirt).

When someone buys a car it becomes theirs to keep – but when they pay to get it repaired or serviced, they do not own the garage mechanic. There is a clear distinction regarding ownership in the context of services. It is also claimed that a service is a process that leads to some sort of benefit by facilitating a change in a customer, a change in their physical possessions (as with a car service) or a change in their mood. By going to watch your favourite band in concert, your attendance facilitates a change in your sense of well-being, or indeed, if you go for a massage at a spa, then the relaxation and peacefulness