

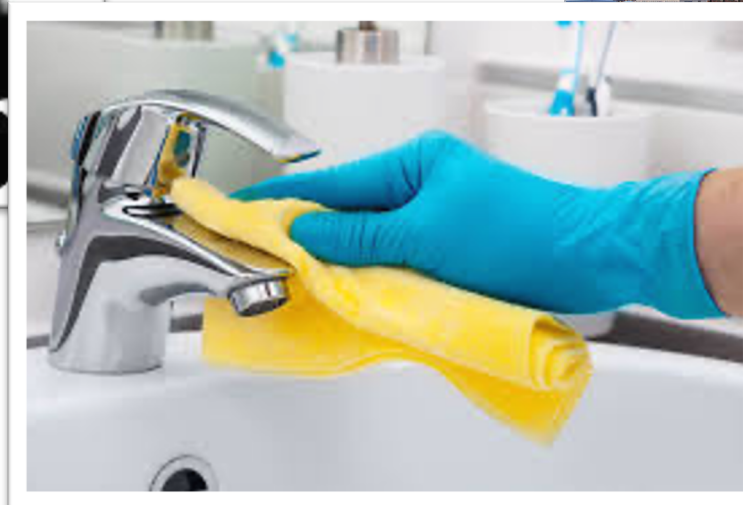
Chapter 13

Services: the intangible product

- Describe how the marketing of services differs from the marketing of products.
- Discuss how firms can provide a good service
- Examine the five service quality dimensions
- Explain the zone of tolerance
- Identify service recovery strategies
- Discuss how we measure quality online

Service Definition

Service: intangible offering that involves an effort and performance that cannot be physically possessed.



Service-Product Continuum



Most offerings lie somewhere in the middle and include some service and some good

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SHOP WOMEN'S
Clothing
Shoes
Sandals
Sneakers & Athletic Shoes
Dresses

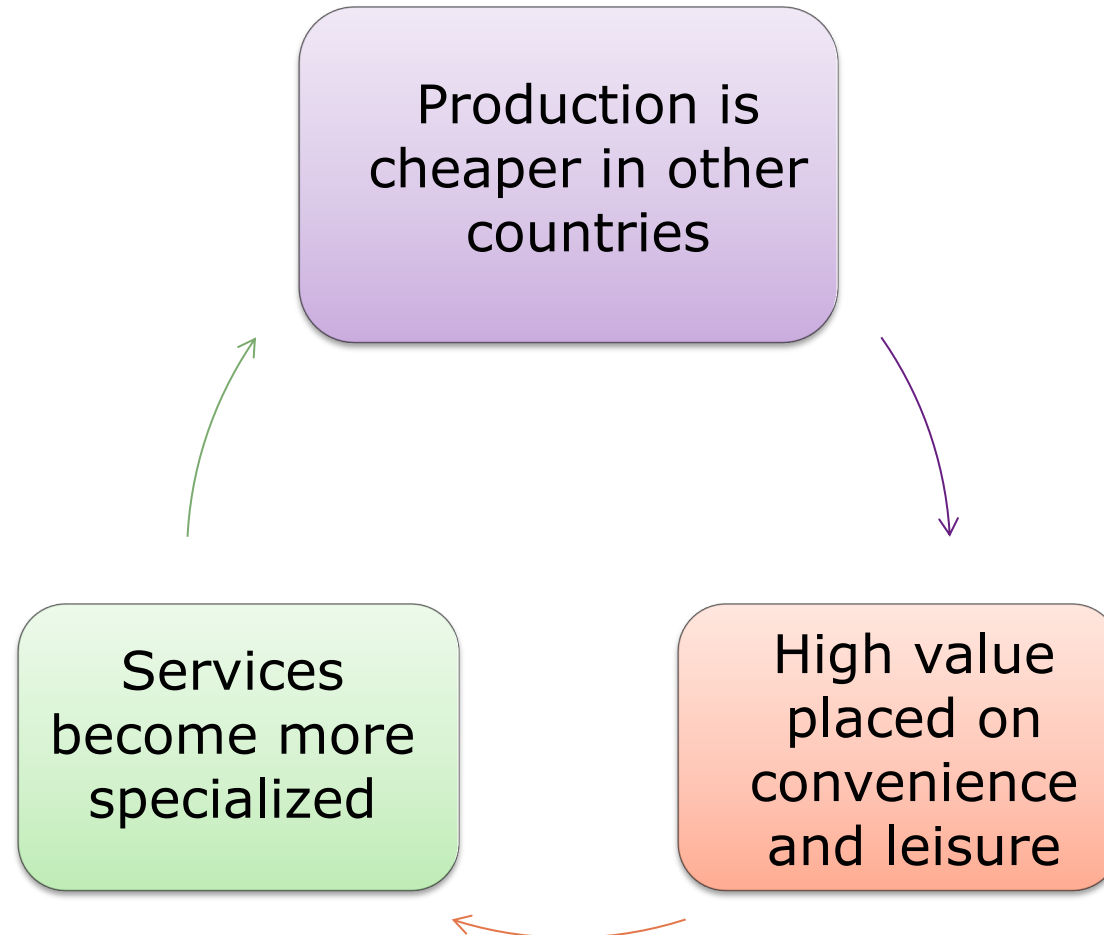
SHOP MEN'S
Clothing
Shoes
Sandals
Sneakers & Athletic Shoes
Jeans

SHOP KIDS'
Girls' Clothing
Boys' Clothing
Girls' Shoes
Boys' Shoes

BAGS & ACCESSORIES
Handbags & Wallets
Accessories
Jewelry
Watches
Sunglasses

Economic Importance of Services

- Economies of developed countries such as of the United States have become increasingly dependent on services.
- Services account for nearly 80 percent of the U.S. GDP



Factors differentiating products from services

1. Intangible
2. Inseparable
3. Heterogeneous
4. Perishable

Services cannot be touched, tasted, or seen

- Requires using **cues** (signals) to convey value/benefits
- **Atmosphere** is important to convey value
 - E.g., show happy families in attraction parks
- **Images** are used to convey benefit of value
 - Furnishing quality for hotels



Production and consumption are **simultaneous** (hotels, restaurants, etc.)

- Little opportunity to **test** a service before use (e.g., no returns)
 - E.g., haircut
- Lower risk by offering **guarantees** or warranties
 - Hotels often offer satisfaction guarantees

Heterogeneous

In the service quality offered both across and within service providers



Cannot be stored and reused!

- **Challenges** of firms that offer services:
 - Service cannot be recalled
 - Matching supply and demand
 - Ski area can be opened only if there is snow...but demand peaks during holidays



How can firms
provide a good service?

- **KNOWLEDGE:** Firms need to understand customers' expectations
 - E.g., when I stay at the Hilton (or any other hotel) I expect the room to be ready and clean when I check-in
 - Expectations vary depending on:
 - The service (Hilton vs Motel 6)
 - The situation (Business travel vs Leisure travel)

Marketing research

(Useful to understand customers expectations)

+

Evaluation of service quality

(difficult to measure!)

Marketers use the following quality dimensions to measure consumers' perception of quality

1. Reliability

- Ability to perform a service accurately (train employees)

2. Responsiveness

- Willingness to help customers and provide prompt service

3. Assurance

- Employees knowledge and ability to convey trust and confidence (empower employees)

4. Empathy

- Caring and individual attention provided to customers

5. Tangibles

- Appearance of the firm's physical facilities

Hotel example

1. Reliability

- Give accurate time of room service

2. Responsiveness

- Bathroom dirty → Promptly apologize/take actions

3. Assurance

- If wrong meal delivered, server can offer a free alternative

4. Empathy

- Personalized communications, e.g., address guests by name

5. Tangibles

- Rooms are updated with latest tech

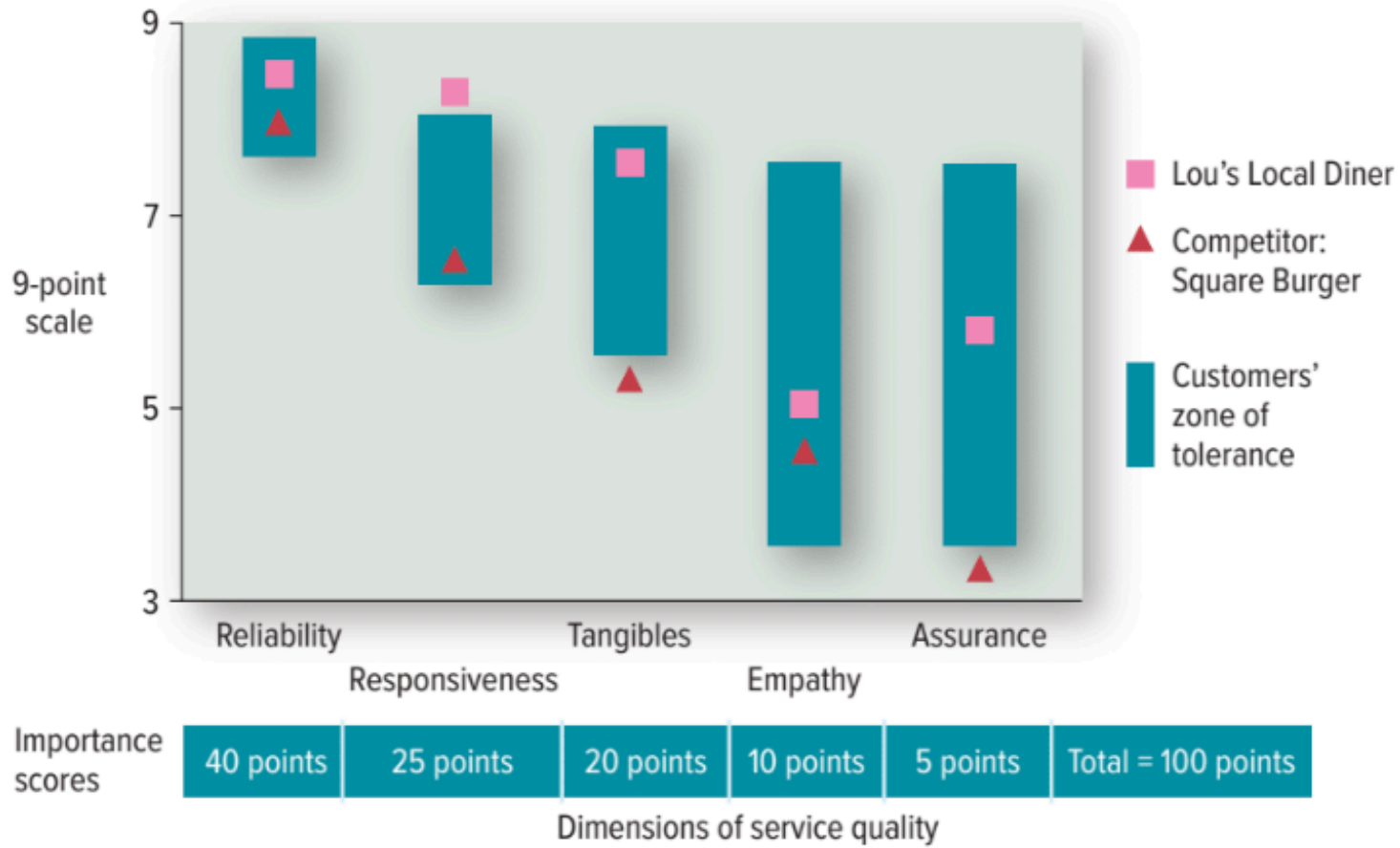
Range of **acceptable service quality** for each of the service quality dimensions we discussed

To define the zone of tolerance firms ask three questions:

1. Min and max level of service for each dimension
2. Perception of service quality for each dimension
3. Importance of each dimension

Zone of Tolerance

▼ EXHIBIT 13.5 Customers' Evaluation of Service Quality



Note: The scale ranges from a 9 indicating very high service quality on a given service quality dimension to a 1 indicating very low service quality.

Providing a Good Service

- **STANDARDS**: Firms need to set standards
 - To do so they need to **train and monitor** employees
 - Incentives, awards



VS

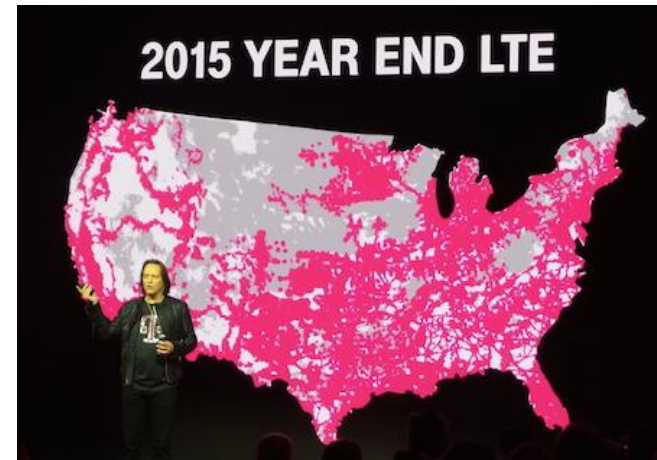


- **DELIVERY:** Firms need to meet their standard expectations
 - Empower employees (let them make decisions)
 - Technology
 - Supermarkets self-checkout
 - Nest thermostat in hotel rooms

COMMUNICATION: Firms must delivery the product they describe and communicate

- It is important to promise only what you can deliver

T-Mobile®



Some Good Service Providers



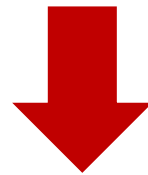
Key concepts to deliver a good service

1. **Knowledge**: understand customers' expectations
2. **Standards**: the service standards firms set
3. **Delivery**: actual service that firms provide to customers
4. **Communication**: firms deliver the service promoted

Service Failure



- Customers **post-purchase** evaluation
 - Satisfied → Loyalty
 - Unsatisfied → Problem
 - Firm fails to meet one (or all) of previous concepts: KNOWLEDGE, STANDARDS, DELIVERY, COMMUNICATION



- **Lost** potential repeated customer
- **Bad** word of mouth (online and offline)
- The **profitability** of the firm is **damaged**

1. Listen to the customer

- You need to know what is the problem to solve it!

2. Provide a fair solution

- E.g., problem with hotel room → change (and even upgrade) customer room

3. Do it quickly!

- The longer it takes to resolve service failure the more irritated the customers

"A good recovery can turn angry, frustrated customers into loyal ones. It can, in fact, create more goodwill than if things had gone smoothly in the first place" -- Etzel, M. and Silverman, B. (1981).


* A Managerial Perspective on Directions for Retail Customer Dissatisfaction Research
Etzel, M. and Silverman, B. (1981).

Service recovery paradox

- A situation in which a customer satisfaction is higher after the firm has **fixed a service problem**, compared to the case in which failure did not happen
- Why? Successful recovery of a faulty service leads to **increased assurance and confidence** among customers

- Reviews and ratings (online word of mouth)
 - TripAdvisor, Amazon, Yelp, etc.
 - Good proxy of firm quality
 - **Shift control of firm image from firms to consumers!**
 - Predict future earnings/revenue of a firm [Luca 2009, Mayzlin et al. 2006]
- Many firms use reviews to improve their service quality
 - Hotels read about complaints and fix them

- However....
 - Reviews can be promotional (fake)[Mayzlin et al, 2014]
 - Firms post negative reviews for their competitor (to decrease their reputation) and positive review for their own (to increase their own reputation)
 - On Yelp **16%** of reviews are tagged as fake and filtered [Luca, Zervas 2016]



Why Does Yelp Recommend Reviews?

RECOMMENDATION SOFTWARE

We use automated software to recommend the reviews we think will be the most helpful to the Yelp community based primarily on quality, reliability and the reviewer's activity on Yelp. [Advertisers get no special treatment.](#) The reviews below didn't make the cut and are therefore not factored into this business's overall star rating. Watch the video above or [check out our FAQ](#) for more details.

On the Hunt of Fake Reviews

Fraudulent reviews often carry telltale signs, which are picked up by software and flagged for review by moderators. Some of the signs are illustrated in these Globe-created examples:

1. One reviewer's opinions consistently run counter to the majority.
2. Multiple reviews share many of the same phrases and typos.
3. The IP address, a device's electronic fingerprint, is the same on multiple reviews for the same business.

1 “Awesome Boston hotel!”
 ●●●●●● Reviewed Sept. 24, 2013
 My wife and I stayed at this hotel in Boston and **it couldn't be beat!** From check-in to check-out, the whole experience was **second to none.** Worth the price!
 IP: 192.0.1.23

2 “Great hotel in Boston!”
 ●●●●●● Reviewed Sept. 24, 2013
 While in Boston, my husband and I stayed at this hotel and **it couldn't be beat!** Everything, from check-in to check-out, was **second to none.** Worth your money!
 IP: 192.0.1.23

1 “Dirty and too small”
 ●○○○○○ Reviewed Sept. 24, 2013
 I've seen jail cells with better accommodations.

Other indicators

- ▶ The writer is reviewing multiple products from the same company.
- ▶ One group of users is reviewing the same hotels.
- ▶ Many reviews share identical timestamps.

SOURCE: Globe staff research

ROBERT S. DAVIS/GLOBE STAFF

Everyone loses

- **Firms** image and reputation is harmed
- **Consumers** trust in the platform decreases



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- How do firms manage their reputation (and thus quality perception) online?
 - Non-ethical methods
 - Fake reviews (we just saw it)
 - Sue negative reviewers:
 - <https://www.cbsnews.com/news/yelp-negative-online-review-texas-couple-sued-jeremy-stoppelman/>
 - Ethical method (recently emerged)
 - Respond to reviews

“Terrible Hotel, do not stay here”

●○○○○○ Reviewed July 25, 2016

We rented a 2-bedroom executive suite for our family of 5 for a weekend in Austin to visit family. Our room was not available at check-in, even though I had used the express check-in 2 days prior. The wifi did not work in our room or in the lobby for the 3 days we were there. We had 3 tvs...

[More](#) ▾

Review collected in partnership with Omni Hotels & Resorts ⓘ

Helpful?

 Thank Vanessa E

[Report](#)

GenMgrAustin, General Manager at Omni Austin Hotel Downtown, responded to this review

Please accept our sincerest apologies for the numerous challenges you encountered during your stay. We do truly appreciate your candid feedback so that we may rectify the areas that need attention. We value your patronage and hope you decide to return in the future so that we can provide you with a positive and memorable experience.

[More](#) ▾

- After hotel managers respond to reviews:
 - Star-rating increases
 - Fewer negative reviews...
 - ...but longer!
 - Repeated customers
 - Returning to the same hotel after a bad experience if response → + 36%
 - And reviews left by these returning customers have higher ratings



Service recovery