

Service

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Introduction

In many advanced economies, services now account for a far greater proportion of gross national product than manufactured goods (e.g., more than 75 percent of GDP and jobs in the U.S.). Yet, it is only in recent years that marketing academics, practitioners, and indeed, service firms have begun to give serious attention to the marketing of services, as distinct from products. It is generally thought that the marketing of services is more difficult, complex, and onerous because of the differences between services and products. The Web, we believe, will dramatically change forever this received wisdom. Most of the problems of services really don't matter on the Web. Services are no longer different in a difficult way. Using the Web to deliver services overcomes previously conceived limitations of services marketing, and in many cases, it creates hitherto undreamed of opportunities for services marketers.¹

The Web offers marketers the ability to make available full-color virtual catalogues, provide on-screen order forms, offer on-line customer support, announce and even distribute certain products and services easily, and elicit customer feedback. The medium is unique because the customer generally has to find the marketer rather than vice versa, to a greater extent than is the case with most other media. In this chapter, we show how the Web is overcoming the traditional problems associated with the marketing of services. We are entering the era of cyberservice .

What makes services different?

What makes services different from products. In other words, what special characteristics do services possess? Services possess four distinct features not held by products, and an understanding of them is necessary to anticipate problems and to exploit the unique opportunities that some of these attributes provide. The unique characteristics of services are:

- **Intangibility:** Unlike products, services are intangible or impalpable, they cannot be seen, held, or touched. Whereas products are palpable things, services are performances or experiences. The main problem that intangibility creates for services marketers is that they have nothing to show the customer. Thus, experience and credence qualities are significantly important in the case of services.
- **Simultaneity:** In the case of goods, production and consumption are not simultaneous, and these activities do not occur at the same time or place. In the case of services, it is generally true that the producer and consumer both have to be present when a service is enacted.

1. An earlier version of this chapter appeared in Pitt, Leyland F., Pierre Berthon, and Richard T. Watson. 1999. Cyberservice: taming service marketing problems with the World Wide Web. *Business Horizons* 42 (1):11-18.

- **Heterogeneity:** Products tend to possess a sameness, or homogeneity, that is not achieved by accident. Manufacturing lines produce homogenous products and have quality control procedures in place to test products as they come off the line, and to ensure that defective products don't reach the market. Services have the characteristic of heterogeneity. They vary in output, and mistakes happen in real time, in the customer's face, which creates a number of challenges for the services marketer.
- **Perishability:** Because services are produced and consumed simultaneously, they cannot be inventoried. For example, if there are twenty empty seats on an aircraft for a particular flight, the airline can't say, "Don't worry, stick them in a cupboard. We'll certainly be able to sell them over Thanksgiving." They are lost forever.

Cyberservice

Cyberservice overcomes many of the traditional problems of services marketing by giving the marketer undreamed of control over the previously capricious characteristics of services. This is because the Web, as an interactive medium, combines the best of mass production (based in the manufacture of products) and customization (typically found in custom-made services). The Web is the ultimate tool for mass customization. It has the ability to treat millions of customers as though they were unique. In this section, we illustrate how this is being done by innovative organizations using their Web sites to manage the difficulties previously caused by service characteristics.

Managing intangibility

1. Use the Web to provide evidence

Because customers can't see the service, we have to give them evidence of what it is they will get. This has long been a successful stratagem employed by successful services marketers. McDonald's emphasizes its commitment to cleanliness not only by having clean restaurants, but by constantly cleaning. Cyberservice puts evidence management into overdrive. The Royal Automobile Club (RAC) enables users to enroll for membership on-line. Information provided on the site includes details of the benefits of RAC membership, the extent of assistance the club has provided, the service options available, and methods of payment. Most importantly, however, the site also e-mails a new member within a few minutes of him or her joining. This message confirms all details, and provides instantaneous, tangible proof of membership in the form of a membership number. Once the member notes this number, or better still, prints the e-mail message, it is as good as having a policy document. Under traditional service delivery systems, such as the mail, this would take a few days at least. While the member might have received confirmation over a telephone, the Web site provides instant tangible assurance.

One of Ford Motor Company's most innovative U.S. dealers is planning to install live video cameras in its service bays and relay a live feed to its Web site. Customers will be able to visit the service center and check the progress of their car's service. By opening up its service center for continuous customer inspection, the dealer is making very evident the quality of its service.

2. Use the Web site to tangibilize the intangible

Although services are considered intangible, effective Web sites can, and should, give services a tangible dimension. There is a simple, but critical, reason for this: when you can't really see what it is that you're buying, you look for clues, or what psychologists call cues. The prospective visitor to a Disney theme park is about to part with a not inconsiderable amount of money. No matter how much he or she has heard from friends and associates, until the visit actually occurs, the visitor will not be able to judge the quality of the experience. The Disney Web site

tangibilizes a future dream. It provides graphic details on the parks themselves, allows children to see and listen to their favorite characters, examine the rides that they might take, and get further information, before booking the visit. It is well to remember, in general, that when managing Web sites, three critical elements stand out:

- **Quality of the Web site:** A site must have quality text, graphics, video, and sound. When the customer sees the Web site and not the firm, the Web site becomes the firm!
- **Frequency of update:** Surfers will generally not visit a site frequently unless it changes regularly. A Web site, no matter how engaging on first impression, will fail if it is not seen to change, refresh, and generally be perceived as up-to-date. Interpreted from the customer's perspective, it is almost the same as saying there is someone behind the Web site, who cares enough about it. Most importantly, there is someone who is concerned enough about the customer to constantly reinvigorate the Web site. The Web site is the firm's street front. Customer's expect it to change, just like the window displays of department stores.
- **Server speed:** In the pre-cyberservice days, service speed counted. In the Web environment, the surrogate for service speed is server speed and ease of navigation. Just as the customer won't wait endlessly in line for a bank teller, a fast food restaurant server, or a travel agent, they will not wait forever to access a slow Web site on a sluggish server. Customers will simply move on. Immediacy is central to service and a defining expectation in cyberspace.

3. Sampling in cyberspace

It is very difficult to sample a service. The best way to convince someone to purchase wine is to have them try a sample glass. If they like it, they may buy a case, or at least a bottle. Wine estates and fine wine stores realize this and use tastings as a major element of promotional strategy. Similarly, car dealers arrange demonstration drives, and bookstores have their wares on display for customers to browse through before making a choice. Sampling is far more difficult with services, because they are intangible. The Web has the potential to change all this.

Each year, Harvard Business School Publishing Services (HBSP) generates many millions of dollars worth of business selling case studies, multimedia programs, books, and of course, the famous Harvard Business Review . Previously, an instructor anywhere in the world wishing to examine a Harvard case study had to order a sample copy either by telephone, fax, or in writing, and then wait some days for the item to arrive, after having been physically dispatched by HBSP. Nowadays, approved instructors from all over the world browse the Harvard site, using powerful search facilities to find cases and other materials in which they are interested. When something relevant is found, the instructor downloads it in Adobe Acrobat format and prints it, complete with a watermark indicating that the case is a sample, not for further reproduction. The instructor can then decide whether to order the item. Similarly, the Web site also allows surfers to enroll for regular electronic updates on abstracts of new cases, articles, books, and other products that may be of interest. As well, visitors can subscribe to receive bimonthly the abstracts of articles in the latest Harvard Business Review .

4. Multiplying memories

Because services are intangible, the customer frequently relies on the testimony of others (word of mouth) to a greater extent than in the case of products. Whereas in the case of a product, the customer actually has something to show for it, with services there is usually just a memory.

Vivid Travel Network is a collection of Web sites based in San Francisco that links and integrates travel information resources from all over the world. The key feature of the service, in this context, is that it brings together people with experiences of different travel locations with people interested in visiting those locations. Those who

have visited a location relive their vacation by writing about it, engaging in discussion and recollection with others who have also been there. At the same time, they provide valuable and highly credible word of mouth information to prospective visitors by allowing vast networks to multiply memories.

Managing simultaneity

Some of the features of simultaneity that the Web allows services marketers to manage include:

1. Customization

Because services are produced and consumed simultaneously, there is a possibility that the provider can customize the service. If this is done well, it can lead to giving the customer what he or she wants to a far greater extent than is the case with most products. The Web has the ability to excel at this, and because its capacity is based on information technology, data storage, and data processing, rather than employees and physical location, it can do it on a scale that traditional service providers would find impossible to match. Pointcast offers an individually customized news retrieval service. The customer selects categories of personal interest, such as news, sport, stock quotes, and weather. The service then scans news providers, and compiles a customized offering for each person, which is updated regularly either by the individual requesting additional items, or by the software learning what the individual likes and prefers, and searching for information that will satisfy these needs. Thus, no two individuals receive the same service from Pointcast.

2. Managing the customer as a part-time employee

In order to obtain services, the customer generally has to come inside the factory. Thus, in most conventional service situations, clients enter banks, vacationers go inside travel agencies, and university students attend classes in classrooms. Furthermore, once inside the service factory, the customer actually has to do a bit of work. Indeed, in the case of some services, a substantial amount of work. Not only does the customer come inside a service factory, and do some work, in many cases the quality of the service the customer receives is almost as dependent on the customer as it is on the efforts of the service provider. The customer can therefore be seen as a co-producer in service firms, and is, in a substantial sense, a part-time employee. In most service settings, this can be an opportunity to save costs and spark innovation.

The Web site of a well-known international service company illustrates how the medium can be used to manage profitably customers as part-time employees. The international courier company UPS allows customers access to its system through its Web site. The site reduces uncertainty by allowing customers to track shipments traveling through the system by entering the package receipt number. Furthermore, customers can request a pickup and find the nearest drop-off site. UPS still uses a large team of service agents and a major telephone switchboard to deal with customer inquiries. Now, however, millions of tracking requests are handled on-line each month. Many would have used the more expensive and time-consuming telephone system. Clearly, UPS gains considerable savings by switching customers from telephone to Web parcel tracking. Furthermore, customers prefer this form of service delivery, otherwise, they would not have adopted it with such alacrity.

3. Innovation as part of customer participation

If we understand that, in service settings, the customer is a necessary co-producer and participant in the service creation process, then we can become aware of many possible service innovations that can create advantage in competitive markets. If the customer is willing to do some work, we can create enjoyable environments for them to do it in, and we can also devise service efficiencies that lead to significant cost reductions.

Firefly is an example of using the customer's willingness to participate in the service production process to create service innovations on the Web. The Firefly network creates virtual communities of customers by getting them not only to give a lot of information about themselves, but also to do a lot of the work required to create this virtual community. Customers give information about their preferences regarding books, music, or films. Firefly then builds a profile of the customer's likes, which is continually updated as the customer keeps on providing more information—usually in the form of ratings on scales. Customers are also put in touch with others who have similar interests to their own. This information is then correlated with other customers' interests and enjoyment profiles to recommend new music, books, or films. Customers also give their opinions of the films, music, or books that they have seen, and this is then fed back to other customers. This information is not only very valuable to the customer, but a major asset to the company itself, which it can sell to film producers, record companies, or book sellers. Customers are thus not only co-creators of their own service and enjoyment, they also produce on behalf of Firefly a very valuable and saleable information asset.

4. Service industrialization

While service firms have to put up with the fact that the customer comes inside the factory, this is not always strictly true. It might be more appropriate to say that a fundamental dilemma facing services marketers is to decide on the extent to which they want the customer to come inside the factory.

It has been argued that service firms would more successful if they provided less service, not more! They should industrialize themselves, and become more like mass producers of goods than benevolent panderers to the whims of individuals. Rather than try to solve the problems that arise in service firms, they should try to eliminate them. Don't fix the system, change the system. In doing so, they will be giving the customers what they really want, not more service, but less service! To many marketers in general, and service marketers in particular, this might sound like heresy. However, a simple Web example allows us to illustrate vividly these points.

Consider how you would normally obtain a telephone number that you were unable to find. You would call directory inquiries, carefully enunciate the name, and what you know of the address of the desired party, wait while the operator found it (hopefully!), and then listen to a computer voice rapidly read the number. A Web site, Switchboard.com, is a giant national database that contains the names, telephone numbers, and addresses of more than 100 million households and a further million businesses in the U.S. Visitors simply type in a name to get a listing of all of the people in the country by that name. Further information that the visitor has, such as state, city, or street name, helps narrow the search considerably. The visitor is able to print and keep the listing, once found, and also use the Web site to automatically send a postcard to the person just tracked down. This is the Web site for which the length of visit is one of the longest—for once visitors realize its potential to find one number, they immediately see its value in being able to search for, and contact, long-lost family members, friends, and schoolmates. Yet, this unique service is entirely produced by machines.

The directory assistance example illustrates how redesigning the system to provide less service, by replacing the human element with a machine, actually provides more service. Customers now have access to more information, which is so often the core element of any service.

5. Reducing customer errors

When customers are part of the production process, their errors can directly affect the service outcome. Indeed, one-third of all customer complaints are related to problems caused by customers. Thus, ways must be found to make the consumer component, as well as the producer component, of services fail-safe. Customer errors arise during preparation for the encounter, the service encounter, or the resolution of the encounter. Some examples illustrate how cyberservice reduces or avoids customer errors in each of the stages.

Encounter preparation

Customers can be reminded of what they need to do prior to the encounter—what to bring, the steps to follow,

which service to select, and where to go. Hampton Inn generates personalized driving instructions for travelers to get them from their starting location to the selected Hampton Inn at their destination. Travelers can select their type of route, direct or scenic.

The encounter

An advantage of cyberservice is that customers can be led precisely through a process repeatedly. For example, when buying books from Amazon.com the customer is stepped through the process of selecting books and providing payment and shipping details. No steps can be missed and the system checks the validity of entered information. Furthermore, customers don't type in book titles (a possible customer error); these are selected by clicking. Many Web sites require customers or prospects to enter their e-mail address twice because of the observed high customer data entry error rate. Of course, wherever possible, pull-down selection lists should be used so that customers have less opportunity to make errors.

Encounter resolution

On-line catalog companies, such as REI, e-mail customers a copy of their order so customers can correct any errors they may have made when entering delivery and order details.

Managing heterogeneity

Once more, there are a few things that the services marketer can manage on the Web in order to overcome the problems occasioned by service heterogeneity. Indeed, the Web offers unique opportunities in this regard.

1. Service standardization on the Web site

Some services marketers are reluctant to standardize service activities because they feel that this tends to mechanize and dehumanize an interaction between individuals. In some circumstances this is true, but that doesn't mean that managers shouldn't look for opportunities to produce service activities in as predictable and uniform a way as possible. Many people are cynical about the sincerity of the greeting, thanks, and farewell that one receives in a McDonald's restaurant. However, by standardizing something as simple as this, the company has ensured that everyone is greeted, thanked, and bid farewell, in a setting where real warmth and friendliness don't matter all that much anyway. McDonald's has succeeded in eliminating much of the unpredictability that customers still face in so many other similar restaurant settings, surliness or complete indifference, or alternatively, service which is gushingly insincere. The real skills of services marketers becomes apparent in their ability to decide what should be standardized, and what should not.

Security First Network Bank (SFNB), which was one of the first financial services institutions to offer full-service banking on the Internet, uses a graphic metaphor—a color picture of the lobby of a traditional bank—to communicate and interact with potential and existing customers. Whereas in a real bank the customer might encounter great or indifferent service, warmth or rudeness, competence or incompetence, depending on the individual who serves them, in SFNB, the service is relevant and highly consistent.

2. Electronic eavesdropping on customers' conversations

Firms must listen to different consumer groups to ensure that they are hearing what customers are saying and how they are perceived as responding to their complaints, concerns, and ideas. They need to listen to three types of customers: external customers, competitors' customers, and internal customers (employees).

Everyday on the Internet, customers are talking about products. Newgroups and listservs provide forums for consumers, throughout the world, to pass comment on a company's products and services. Furthermore, bad news travels at megabits per second to millions of customers, as Intel found when the flawed Pentium chip was detected. Companies can eavesdrop on these conversations and respond when appropriate. In addition, they can collect

and analyze customers' words to learn more about their customers and those of their competitors. Internally, an organization can set up electronic bulletin boards to foster communication from internal customers.

Traditional focus groups meet same time and same place. Our early work with electronic focus groups indicates that the chains of time and space can be easily snapped. We have successfully operated electronic focus groups spanning seven time zones and three countries.

Cyberservice means listening to more customers more intently and reacting electronically in real-time. It also means everyone in the organization can listen to customers. Key insights can be broadcast on internal bulletin boards so that everyone understands what the customer truly wants. There has never been a better opportunity to get closer to customers and stay focused on their needs.

3. Service quality

Whereas good quality can be controlled into, and bad quality out of, the production process for goods, in the case of services this is made much more difficult by heterogeneity. Thus, service quality needs to be carefully managed. In order for it to be managed, of course, it needs to be measured. If you can't measure something, you can't manage it. In the last ten years, tremendous progress has been made in the measurement of service quality.

Interactive, Web-based questionnaires are a convenient and inexpensive way of collecting customers' perceptions of service quality or some other aspect of a service. Computing and IT services at the University of Michigan has an on-line survey for its customers to complete. An on-line version of SERVQUAL, a widely used measure of service quality, can capture customers' expectations and perceptions of service quality and e-mails these data to a market research company. The real pay-off of Web-based questionnaires is in reducing the length of the feedback loop so that service quality problems are rapidly detected and corrected before too many customers are disaffected.

Managing perishability

Because products are produced before they are consumed, many can be stored until needed. Services cannot, for they are produced and consumed simultaneously, as we know. This gives them the characteristic of perishability. Services cannot be inventoried. To understand and minimize the effects of service perishability, astute services marketers are using Web sites to manage two things, supply and demand.

1. Managing supply on the Web site

Managing supply in a conventional service setting requires controlling all those factors of service production which affect the customer's ability to acquire and use the service. Thus, it traditionally includes attention to such variables as opening and closing hours, staffing, and decisions as to how many customers will be able to use the service at any particular time. On the Web, these issues are circumvented, for the Web site gives the services marketer the ability to provide 24-hour service to customers anywhere. British Airways uses its Web site to provide services that, under conventional circumstances, would have been limited by people, time, and place. Customers are now able to purchase tickets off the Web site at any time convenient to them, without standing in line, from any place. British Airways provides a service to its Executive Club members whereby they regularly mail details on the frequent flyer program and miles available, as well as staffing a desk during office hours to which calls can be made. The human, time, location, and cost limitations of this are obvious.

2. Directing demand on the Web site

Services marketers also cope with service perishability by managing demand. That is, they use aspects of the

services marketing mix, such as promotions, pricing, and service bundling, to stimulate or dampen demand for the service. Most service businesses are characterized by a high fixed cost component as a proportion of the total cost structure. Thus, in many situations, even very low prices for those last few seats or those last few rooms can be easily justified—20 or 30 percent of list price is still better than nothing when the service would have perished anyway. Many airlines are now conducting on-line ticket auctions on their Web sites as a way of managing demand. Airlines typically fill only two-thirds of their available capacity. By auctioning off unsold seats for imminent flights at low prices, the potential exists to approach 100 percent capacity. This is likely to result in substantial increases in airline profits, as full capacity on flights is reached with little or no increase in total costs.

Finally, some services marketers make good use of service bundling—putting together inclusive packages of services in a way that allows value to the customer to far exceed what he or she would have spent purchasing each component of the bundle individually. Microsoft's travel Web site, Expedia.com, allows customers to shop for vacations, flights, car rentals, and tours and to combine these into personalized travel bundles, all from one location.

Conclusion

Services possess unique characteristics: intangibility, simultaneity, heterogeneity, and perishability. These have traditionally presented serious challenges to the services marketer. Cyberservice has the ability to ameliorate many of the problems traditionally associated with service, and even turn them into singular opportunities. Ironically, in the near future, it may be products that are more troublesome to marketers than services. The Web overturns the traditional hierarchy between products and services. How does cyberservice achieve this? The answer lies in three characteristics of cyberspace—the ability to quantize, search, and automate. Quantization of services (the breaking down of services into their smallest constituent elements) allows unparalleled mass customization (the recombination of elements into unique configurations). Search facilitates hyper-efficient information markets, matching supply and demand at a level previously unattainable. Automation allows service bottlenecks to be bypassed, returning power and choice to the customer, and overcomes the traditional limitations of time and space.

Cases

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