CHAPTER - 2

CONCEPT OF SERVICES
GROWTH OF SERVICE SECTOR

The rise in the service industries at a rapid rate is seen after World War II. It was after the war that the economies of various countries tried to arrange it. New investments brought in the need of various services. With the change in the style of living of people, also affected this industry. Individuals now spend greater proportion of their income on travel, restaurant and leisure services to improve the quality of their lives; on telephone, postal and communication services, reflecting a more dynamic and fast moving environment; and on purchasing better quality health and education services.

The reason for this growth can be accredited to a lot many changes in the social, political, demographic, economic and legal environment etc. Some of the reasons are related to the nature of business; some of them are related to changes in society, in the attitudes and life paths of the people. The reasons are, of course, highly interrelated.

Cowell offers the following business - related driving forces: “three of them main explanation......... are;

(a) The lag in growth in labour productivity in services compared with rest of economy.
(b) The growth of intermediate demand from firms.
(c) The growth in final demand from customers.”
First, according to Cowell is, that with the increase in the industrialization the labour productivity in other sectors has gone up too much as compare to service sector. That is in other industries we do not need a lot too many people for large volume of production, with mechanization of those industries, whereas in service we need. Therefore the service sector employment is growing.

The second reason for growth is due to the increase in specialization. New people specialize in their own area and do go for specialized help from others. This has led to the growth of intermediate business like engineering services, management consultancy, marketing research, and other professional services.

Finally, there is a growth in the direct demand for services from the customer. With the change in living style and change in attitude towards life, people started service expenditure. The demand for leisure services, sports, travel, and entertainment etc.

Adrian Payne looks at reasons for growth in the services sector into various factors these can be divided into demographic, social, economic and political changes.

DEMOGRAPHIC CHANGES:
With growth in the average age of life of the people, now life expectancy has gone up, producing a big number of retired persons in society. This sector has created new demands for leisure and travels as well as for health care and nursing.

The development of new town and reasons, due to the shift in the population has increased the need of a lot many services. Now we need to plan the new structure, draw and infrastructure support and others, as educational and health services to support the people.

SOCIAL CHANGES:

The development in the society has drastically cut down the size of the family. In this new structure the number of working women has increased. The rise in this number has promoted a rise in the fast food industry, childcare facilities, and other personal services.

The quality of life has also change a lot with both the partners of the family earnings. Now the families have a lot of money to spend on entertainment, travel and hospitality services.

The new system has brought greater complexity in the life of the people and hence now they are in need of legal and financial advice.
With globalization now that the mobility of person has increased hence consumers compare services nationally and internationally. So the service providers have to improve the quality of their services.

**ECONOMIC CHANGES:**

Globalization has increased the demand for communication, travel and information services. This has been fuelled by rapid changes brought about by new information technology.

Increased specialization within the economy has led to a greater reliance on specialist service provider; for example, advertising and marketing research have become specialist functions supporting all sectors of the economy.

**POLITICAL AND LEGAL CHANGES:**

The society has grown in size with which the government has grown in size, creating a large number of service departments to manage it. Globalization has made increased and new demand on legal and other professional services.
Behind much of the change described above are, of course, trends in society. Schoell and Loy (1981) have explored this issue in some detail. In the table, the discussion is summarized.

Table 2.1

<table>
<thead>
<tr>
<th></th>
<th>Reasons for growth in service industry</th>
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<tbody>
<tr>
<td>1</td>
<td>Increasing affluence</td>
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<tr>
<td></td>
<td>Greater demand for lawn care, carpet cleaning, another services that customers used to provide for themselves</td>
</tr>
<tr>
<td>2</td>
<td>More leisure time</td>
</tr>
<tr>
<td></td>
<td>Greater demand for travel agencies, travel resorts, added education courses</td>
</tr>
<tr>
<td>3</td>
<td>High percentage of women in labour force</td>
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<td></td>
<td>Greater demand for day care nurseries, maid services, away-from home meals.</td>
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<tr>
<td>4</td>
<td>Greater life expectancy</td>
</tr>
<tr>
<td></td>
<td>Greater demand for nursing homes and health care services.</td>
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<td></td>
<td>Greater complexity of products</td>
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</tr>
<tr>
<td>6</td>
<td>Increasing complexity of life</td>
</tr>
<tr>
<td>7</td>
<td>Greater concern about ecology and resource scarcity</td>
</tr>
<tr>
<td>8</td>
<td>Increasing number of new products</td>
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</tbody>
</table>

Christopher H. Lovelock has very nicely summarized the changes, which have led to the increase in the services. The factors which have been suggested are:

- Changing pattern of government business.
- Relaxation of professional association restricting overt marketing communication effort.
- Privatization of public corporation and non-profit organization.
- Computerization and technological innovation.
- The growth of franchising.
- Expansion of leasing and rental business.
- Creation of service profit centers within manufacturing firms.
- Financial pressure on public and non-profit organization
- The internationalization of service business.

These are some dynamics of change that has brought the service revolution. As this sector was highly regulated and controlled by the government policy, it was not able to grow. Then with the relaxation in advertising and promotional activities gave the impetus for further growth of this sector in the economy. This freedom basically increased the competition among the service firms and hence the quality and standard of services went up which in turn led to the growth of this sector.
“Privatization” basically started from England, where the nationalized industries were transferred to private ownership. The technological innovations led by the growth in computers changed the ways of delivering services. The business, airline business, hotel business and many other business firms improved their performance. These firms were able to service their customers in a much better way now. Franchising also did the growth of service firms. It is a much easier and popular method of financing the expansion of multisided service chains that deliver a consistent service concept. With the growth of number of users who were not the actual owners of physical product gave the increase in rental and leasing business. Now day’s even men can be employed for part – time rather than having a full time employee.

Then the growth of ancillary services designed to help sell the equipment – including consultation, credit, transportation and delivery, installation, training and maintenance. Many large and other firms have entered this business and have developed credit financing and leasing decisions. The growth in competition in the market has even made the non-business organization to respond to the market changes and adopt some business like approach. Even educational institutions have opened self-financing and NRI courses to earn money to give better education and training to its students. The internationalization of service companies is
readily apparent to any tourist or business executive traveling abroad. This is being facilitated by free trade agreement and other intentional arrangement, between various countries for the promotion of business and other activities.

BROAD DIFFERENCES BETWEEN GOODS AND SERVICES

Levitt has suggested, "there are no such thing as service industry. There are only service industries whose service components are greater or less than those of other industries. Everybody is in service". Here Levitt is of the view that with all physical tangible products there is some amount of services associated, so we are all in some sort of service. Hence it can be said that degree might vary but some amount of service is there.

Howard J. Weiss and Mark E. Gershon in the book Production and Operations Management have suggested that there are no hard and fast rules about the distinction between product transformation and service transformation, but we can make some generalizations

Generalization I A production transformation produces a direct output that

- is a tangible object.
- is ultimately sold.
- has had a (physical) transformation in form
As a general rule (which has exceptions), if the output of an organization satisfies the three requirements listed, then the output of the transformation system is a product. However, if any of these three is missing, the output of the organization is a service.

Generalization II: The distance between the transformation process and the customer is greater in case of a product than in case of a service.

Consider two operations related to colour television, manufacturing and repair. The direct output of the production plant is a colour television; something tangible that has been physically transformed, which (after transformation) is sold to the customer. The direct output of the repair shop is repaired colour television itself, which is another tangible good that has been physically transformed but which, obviously, is not sold to the customer. Further more, the repair shop is in the customer's neighborhood, while the plant is likely to be miles and miles away – perhaps even across an ocean.

It was as early as 1977 when Ms G. Lynn Shostack, the Vice President of city bank, suggested that marketing ‘entities’ are combination of intangible and tangible elements, which are distinct and discrete. If these absolute tangible and intangible elements are taken to the two ends of continuum as shown in figure 1.1 we can observe that all goods and services do not fall at one place. There is a range, which varies from an
absolute tangible good like salt to an absolute intangible service like education.

Christopher H. Lovelock has suggested seven generic differences between a physical product and services. These are –

- Nature of product.
- Greater involvement of customer in the production process.
People as part of the product.

Greater difficulties in maintaining quality control standards.

Absence of inventories.

Relative importance of the time factor.

Structure of distribution channel.

It's important to note that in citing these differences we are dealing with generalizations that do not apply with equal force to all services.

**NATURE OF PRODUCT: -** Leonard Berry captures the distinction well when he describes a good as "an object, a device, a thing," in contrast to a service, which is "a deed, a performance, an effort". A good as described is a physical object, which is tangible where as a service is a deed or performance there by it's an intangible object. Although, in many services we include tangibility – such as seating in an airlines seats, eating a meal, or getting damaged equipment repaired – the service performance itself is very intangible. A person coming out of the parlors after having a massage feels fairly relaxed. The service he received is purely intangible. The performance of service is experiential.

**CUSTOMER INVOLVEMENT IN PRODUCTION: -** It is very often that in the production process of a service the customer is actively involved, that is, by service them selves in a fast food restaurant or by cooperating with service personnel in setting such as hair saloon, hotels, colleges, or
hospitals. Thus we see that performing a service involves assembling and delivering the output of a mix of physical facilities, and mental and physical labour. Rather a service cannot start without the customer coming in, e.g. a doctor cannot start the treatment without the arrival of patient. So a customer presence is must for the production or performance of service. Whereas a physical product is produced too far away from the customer, the distance between the two can be in miles or even across the national boundary or across the sea or oceans.

PEOPLE AS PART OF THE PRODUCT: - Many a service start with the customer coming in rather the customer should come in direct contact with frontline service providers. You cannot book a hotel room or an airline ticket till the person or customer does not walk in. In many a service the customers comes in close contract with the person providing the service. We can see that in a hospital, a barbershop, and a beauty parlor or even in a message center etc. As such people become part of the product for example a cured patient is the output of a hospital, or a football coach can never train the players if they are not present on the ground. As such people become part of the product in many services. Whereas customers are not at all involve in the production of a physical goods.

QUALITY CONTROL PROBLEM: - Manufactured goods can be checked for conformance with quality standards long before they reach the
customer. But when services are consumed as they are produced, final "assembly" must take place under real time conditions. As a result mistakes and shortcomings are heard to conceal. Further variability is introduced by the presence of service personnel and other customer. These factors make it hard for service organizations to control quality and offer a consistent product.

As a person when buys a physical product, he is reasonably assured that this particular stuff is going give him this particular benefit. As if when he buys a piece of washing soap, he knows that this will surely clean his clothes. But when the same customer buys a hotel room, he will be getting a good night sleep without any hassle, or peoples banging at the walls and all the bad things that can happen in a hotel.

**NO INVENTORIES FOR SERVICES:** - A physical product once produced, if not sold can be kept with some extra cost, which is it can be inventoried. This is what is "make to stock". Whereas many a service function start with the customer or in some cases if not used it goes as waste. In the case of airlines, if a seat is not sold today it cannot be sold tomorrow, similarly a hotel room not book today cannot be booked a day after so services can be termed as "make to order". Of course, the necessary equipments, facilities, and labour can be held for readiness to
create the service, but these represent productive capacity, not the product itself. Thus services being intangible cannot be inventoried are stored.

A barber cannot transfer his long line of customers on a holiday/Sunday for some other day. So even unwillingly a service firm has to operate with zero inventory. The barber in this case cannot service some of his customer in advance or cannot make his customer wait for some other day. Similarly hanuman mandir has to accommodate more devotees on Tuesday and cannot ask them to go back and come some other day.

**IMPORTANCE OF TIME FACTOR:** - As services cannot be inventoried, it has to be provided in time. In many cases the customer has to be present, and there is always a limit on time to wait. It is the customer who will decide as to how long is he going to wait before the services are provided. Services have to be performed in time or the organization will lose the customer. Therefore services must be delivered expeditiously so that customers do not expend longer waiting time for receiving the service than appears reasonable to them. A barber cannot make his customers wait for in definite time. The reason for success of McDonalds fast food chain is based on the principle of minimizing the waiting time for customers. Whereas in physical goods carry it as inventory and then give it to the customer when he demands.
DIFFERENT DISTRIBUTION CHANNEL: - Unlike manufacturing firms, which required physical distribution channels for moving goods from factory to customers, services business either use electronic channels (as in broadcasting or electronic funds transfer) or else combine the service factory, retail outlet and point of consumption into one. In a latter instance, service firms often find themselves responsible for managing customer contact personnel (rather than contracting out the retail task to intermediaries). They may also have to manage the operation run smoothly and that one persons behavior does not irritate other customers who are present as the same time.

Theodore Levitt proposed the other approach of distinction between various goods. According to Levitt goods can be puts into two categories, namely search goods and experience goods. Search goods are generally those goods, which are packed, goods and the customers can see, evaluate and try them prior to the purchase, like soap or shampoo. Experienced goods, on the other hand are those which one can see or evaluate only after the purchase like holiday, travel etc. Some persons call search goods as tangible goods and the other as intangibles.
Philip Kotler going a step ahead in the Levitt’s analysis has suggested four categories in which products service relationship can be described. First, it is the pure tangible good. It is like a commodity where it is rather difficult to distinguish between the goods supplied that is these goods looks identical. Secondly, it is the tangible good with accompanying services. In the case the customer gets a tangible goods with services associated to it. Here the supplier marks an effort to distinguish his product from competitors’ product by adding some service. An example can be two brands of color television, one company giving one-year guarantee and the other giving three years guarantee; based on the guarantee the supplier is
trying to differentiate the product. Thirdly, it is a major service with accompanying service or product. In this case the supplier offers its customer a service and along with it a minor good or service can be provided. An example can be, a train, which primarily offers its customers transportation service. However, the bed provided, the food provided and other services attached may be like entertainment etc., are added to differentiate the service offers or to add value to the transportation service. Lastly, is the pure service, where the offer is only a service? The example can be telecommunication, psychotherapy, or health club etc.

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<thead>
<tr>
<th>Sl.No.</th>
<th>Physical goods</th>
<th>Services</th>
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<tbody>
<tr>
<td>1.</td>
<td>Tangible</td>
<td>Intangible</td>
</tr>
<tr>
<td>2.</td>
<td>Homogenous</td>
<td>Heterogeneous</td>
</tr>
<tr>
<td>3.</td>
<td>Production and distribution</td>
<td>Production, distribution and</td>
</tr>
</tbody>
</table>
are separated from consumption

4. A thing

5. Core value produced in factory

consumption are simultaneous process

An activity or process

Core value produced in buyer seller interaction

Customer does not participate in the production process

6. Customer participates in the production process

Cannot be kept in stock

7. Can be kept in stock

Transfer of ownership

No transfer of ownership

Source: Christian Gronroos, Service Management and Marketing

Characteristics of services

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

- Intangibility
- Inseparability
- Heterogeneity
- Perishability
- Ownership
• Immediacy
• Individuality

INTANGIBILITY: - When one buys a physical good, he can see, feel, touch and to an extent evaluate it. Say for example if one buys a shirt, he can see the cloth, colour, texture and other thing and only after being satisfied he pays for it. But when one pays for a holiday trip, he can only assess the worth of his payment only after completing his trip. So a holiday trip is intangible. The distinguishing feature of service is that its intangible aspect is dominant. J. Bateson has described the intangible characteristics of services, which make them distinct from product. These intangible features are:

- A service cannot be touched
- Price standardization is not possible
- There is no ownership transfer
- A service cannot be patented
- Production and consumption are inseparable
- The consumer is a part of production process so the delivery system must go to the market and the customer must come to the delivery system.

INSEPARABILITY: - In most of the cases a service delivery cannot be separated from the production process or the person or company providing
it. An individual can provide a service, with a particular skill (a beautician), the person has to occupy his place (an airline) then only the transformation service can be provided to him. This is in direct contrast to physical products, which can be produced at one place and then shipped and sold at a place miles away.

**HETEROGENEITY:** - As human being produce services the task becomes subjective. This involvement of human being in rendering services makes standardization a very difficult task. A singer might perform better at a show than he performed in the previous one or might perform the worse than the previous one, without justifying his position or performance. A train can be in time on a day, and could be delayed the other day due to some reasons. So standardization is very difficult.

**PERISHABILITY:** - Services once not sold are lost forever. That is, services are not inventoriable. So services once produced are either sold or it perishes. As an airline ticket not sold today cannot be sold tomorrow. A hotel room not booked today cannot be booked tomorrow rather it is lost forever. The other thing attached with services is fluctuating demand. In the peak hours (morning and evening: office hours) the buses and local trains are in peak demand. Hill stations have heavy demand in summer and a bleak one in winter. This fluctuation in demand added with perishability make the problem more difficult for the suppliers of services.
OWNERSHIP: - When one buys a physical good, he becomes owner of the good. This is not so in case of services. That you pay for its use but you do not own it. That is by traveling from Delhi to Patna you may use the birth for which you have paid but you do not own it. So in case of services the payment is not for purchase, but only for use or access to or for hire of items or facilities.

IMMEDIACY: – A service once demanded has to be provided immediately. Many a times the customer is not in a position to wait, so a system should be designed to meet their demands at once. A heart patient cannot wait for long, and if he is made to wait the damage done cannot be repaired. Similarly in many other services if the customer does not get immediate attention he might shift to some competitors. Suppose a man is hungry, and then he can wait for food for a very limited period. Programmes should be made to serve the customer as quickly as possible; this is the fact behind the success story of Mc Donalds fast food chain around the world.

INDIVIDUALITY: – Many services are produced and are known for their unique characteristics. It is very popular in that particular area, and people go to the service shop to receive the specialty. A cook might be popular in a particular area; a beautician might be popular for some special care; a doctor might be well known for his skills; a teacher might be popular for his knowledge and ability to teach. Service firms have to make use of these
individual talents and popularize them. They should industrialize their production than to keep it individualistic or in a particular locality.

The table describes the implication of characteristics of services and how the marketing strategy can be focused to overcome these constraints.

Table 2.3
Implication of service characteristics and the ways to overcome them

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>Service Characteristics</th>
<th>Implication</th>
<th>Means of overcoming Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Intangibility</td>
<td>Sampling difficult.</td>
<td>Focus on benefit. Use brand names, use personalities to personalize service. Develop reputation. Increase tangibility. For example its Physical representation.</td>
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<tr>
<td></td>
<td></td>
<td>Difficult to judge quality and value in advance. Not possible to have patent or copyright. Relatively difficult to promote.</td>
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</tr>
<tr>
<td>2.</td>
<td>Inseparability</td>
<td>Requires presence of performer/producer. Direct sale. Limited scale of operations. Geographically limited market.</td>
<td>Learn to work in larger groups work faster. Train more service performers.</td>
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<tr>
<td>4</td>
<td>Perishability</td>
<td>Cannot be stored. Problem of demand fluctuation.</td>
<td>Better match between supply and demand by price reduction in low demand season.</td>
</tr>
<tr>
<td>5</td>
<td>Ownership</td>
<td>Customer has access to but not ownership of facility or activity</td>
<td>Stress advantage of non-ownership such as easier payment scheme.</td>
</tr>
</tbody>
</table>

Source: Cowell, Donald, “The Marketing of Services”.

**THE CONCEPT OF SERVICES:**

The term service is rather general in concept, and it includes a wide variety of services. There are business and professional services such as advertising, marketing research, banking, insurance, computer
programming, legal and medical advice etc. then there are services which are provided by professional but consumed for reasons not a business rather for leisure, recreation, entertainment, and fulfillment of other psychological and emotional needs such as education, fine arts etc.

Table 2.4

List of selected services

Utilities
Electricity
Water supply
Law enforcing, Civil administration
And defense services
Police
Army
Air force
Navy
Judiciary
Civil Administration
Municipal services
(sewage, disposal of corpses, maintenance of roads, parks,

Insurance, banking, Finance
Banks
Share and stockbrokers
Business, professional and Scientific activities
Advertising
Marketing research
Consultancy
Accountancy
Legal
Medical
Educational
Research
Maintenance and repair (of
Transport and Communication
Railway (passenger and freight)
Air Transport (passenger and freight)
Post and Telegraph
Telephone and Telecommunication
Broadcasting (all India radio)
Telecasting (doordarshan)
Distributive trade
Wholesale distribution
Retail distribution
 Dealers
Agents

plants, machinery and equipments)
Leasing
Computer programming
Employment agencies
Leisure and Recreation
Cinema, Theatre
Restaurant and Hotels
Clubs and Gymnasium
Video game parlors
Casinos
Self improvement courses
Miscellaneous
Beauty parlors
Health club
Domestic help
Dry cleaning
Matrimonial services

Source: adopted from Donald Cowell, “The marketing of services"
Defining services

Services are generally intangibles, which is, it's more of a feeling, an experience than a physical product. Therefore they are often described as ephemeral or experimental. There are lots of personal services like auto repairing, hair cutting, dentists' services etc. But we cannot accommodate all the service under this, as we have already seen the list of the selected services. So we need to develop clarity on the concept of the services.

Services have been defined in number of ways but no single definition has been able to explain it completely. As and when we attempt to clarify the perception, plethora of comments crop up.

According to US Governments standard industrial classification, "establishment primarily engaged to providing a wide variety of services for individuals, business and government establishments and other organizations, hotels and other lodging places, establishment providing personal, business, repair and amusement services, educational institutions, membership organizations and other miscellaneous services are included". (W.E. Sasser, R.P. Olson, D.D. Wyckoff: Management of service operations; Allen and Bacon Inc. 1978). This definition given by US
Governments standard industrial classification has tries to classify services on the basis of typology.

Sir William Beveridge (1942) says, "Services refer to social efforts which includes government to fight five giant evils, wants, diseases, ignorance, squalor and illness in society." This definition being too old looks at services, as only being government services. So Beveridge has suggested that if the government services were proper it would be able to wipe out evils of society. But for a management thinker today services means a lot more than this.

American marketing association (1960) defined, "services- activities, benefits, all satisfactions which are offer for sale, are provided in connection with the sale of goods." This definition is a very old view and takes a very limited view of services. Here they have only taken into account only those services, which are offered with the sale of physical goods but a service in itself is a good to be sold.

W. J. Regan (1963) was of the view that, "services represent either intangibles yielding satisfaction directly (transportation, housing), or, intangibles yielding satisfactions jointly when purchased either with commodities or other services (credit, delivery). So it was for the first time that the services where considered separately and he said that services are purely intangibles which provides some satisfaction to the consumer."
Robert C. Judd (1964) proposed the definition as, "Marketed services - a market transaction by an enterprise or entrepreneur where the market transaction is other than the transfer of ownership (or title, if any) of a tangible commodity." The definition recognized three broad areas of services, which are as follows:

- The right to possess and use a product (rented goods services);
- The custom creation, repair, or improvement of a product (owned goods services); and
- The product elements but rather and experience or what might be termed experiential possession (non goods services)

In 1973 R. M. Bessom proposed that, "For the customer, services are any activities offered for sale that provide valuable benefits or satisfaction; activities that he cannot perform or that he chooses not to perform for himself." A service has been termed as activities, which delivers satisfaction to consumers. The activities have been divided as which either the customer cannot perform or he chooses not to perform it for himself. For example, a customer might not choose save his beard himself and choose to go to a barber for the service.

Y. Hasenfield and A.E. Richards (1974) proposed that, "Services can also be defined as an action(s) of organization(s) that maintains and improves the well being and functioning of people". This definition takes into
account the activities of the organization that go on to improve the well
being of the people. Though a small definition but it says that the services
are required. The well being of the people are important and we cannot
ignore it while classifying the perception of services.

J.M.Rathmell in 1974 suggested the exclusion of following three
activities from the scope of the term services:

- First, the non – economic transaction. This includes an activity where
  there is no economic transfer. That is to exclude the concept free services
  or services only as an obligation.

- Secondly, the voluntary contribution. It is in a sense market transaction,
in that funds are transferred, and presumably some service is purchased. At
  time it is for the well being of the people. A voluntary contribution to an
  orphanage, you neither buy any thing but you give funds to support the
  organization undertaking this activity. In this case the price is decided the
  buyer and not the seller as it is a contribution made by the buyer not a price
  paid.

- Thirdly, these services which are supported exclusively through various
  forms of local, state and central taxation. The services of policemen,
  firemen, army men, schoolteacher etc. are so categorized. A cost of
  transaction takes place and a service is definitely rendered. However, the
transaction is non-voluntary and value of the service is not determined in
market place.

In 1974, K.J. Blow defined services as, "A service is an activity
offered for sale which yields benefits and satisfactions without leading to a
physical change in the form of the good." The definition takes into the
account, the activities done in the transformation process and suggests that
in a service organization the operations do not make a physical change in
the form or shape of the good.

W. J. Staton in 1974 proposed, "Services (are) separately
identifiable, intangible activities which provide want satisfaction when
marketed to consumer and/or industrial users and which are not necessarily
tied to the sale of a product or another service." So in this definition services
have been identified as a separate business activity and attempt has been
made to distinguish it from after sale services.

Almost a decade later certain other definitions were proposed. The
simple reason being that all these definitions given have not been able to
define services clearly.

J. Lehtinen, 1983, said, "a service is an activity or series of activities
which takes place in interactions with a contact person or a physical
machine and which provides consumer satisfaction." Here services has
been characterized as activities which come into existence during a
physical contact with a person or machine and which gives satisfaction to
the customer. This definition points out the closeness between the server
and the receiver of the services that is to say it becomes many a times hard
to separate the production and consumption of services.

Anderson et al. 1983, defined, "services are any intangible benefit,
which is paid for directly or indirectly, and which often includes a larger or
smaller physical or technical component". This definition brings out the
intangibles as important characteristics of services. They believe that
services provide intangible benefits and are also paid not free. The services
according to them also included certain physical or technical component.

Philip Kotler and Paul N. Bloom in 1984 proposed the definition of
services as, "an activity or benefit that one party can offer to another that is
essentially intangible and does not result in the ownership of anything. Its
production may or may not be tied to a physical product". The definitions is
pin pointing the services as separate entities and are intangible and give
certain benefit to the user or buyer

Free in 1987, proposed the definition of services as, "The meeting of
customer expectation in the course of selling and post sale activities
through providing a services of function which match or better the
competition in a way which provides an incremental profit for the supplier."
This is one of the primitive definitions of services, which attaches services
with and after the sale of physical product. Today services have earned a level much beyond that.

E. Gommeson giving his view on services defined, “it is something which can be bought and sold but which you can't trap on your foot”. This definition brings out the intangible characteristics of services and says that it can be bought or sold or exchanged even though it is not tangible.

Christian Grownroos in 1990 proposed the definition of services, which according to him is a blend of the ones suggested by Lehteen, Kotler and Bloom and Gommeson above. According to him, “A service is an activity or services of activities of more or less intangible nature that normally, but not necessarily, plays in interaction between the customer and service employees and/or physical resources or goods and/or system of the service provider, which are provided as solution to customer problem”.

This comprehensive definition talks in a great detail about services and takes into account certain important features of services:

- Services are activities or a combination of a series of activities not a thing.

- Services are more or less intangible.

- The production takes place in the interaction between the customer and the service provider; this suggests the inseparability of production and consumption in case of services.
Customer has role to play in the production process, as the services are the solutions provided in response to customer problems.

Service produced is dependent on service employees and/or physical resources or goods and/or system of service provider. Therefore it is important for an organization providing services to maintain them so that they can provide proper quality of services in the market.

**Classification of services:**

A service is normally perceived in a subjective manner. That is whenever the customer is asked to describe, expressions such as experience, trust, feeling and security are used. The reason for this lies in the diversity of services. Therefore it becomes important to have a detailed classification of services. Although classification schemes have their limitations, they can offer important insights for both practitioners and researchers. Various attempts for classification have been made in the past. But only classifying them is not going to be all, rather it's important to develop ways of analyzing services that can highlight the characteristics they have in common and also help us understand the implications for marketing management.

After a close examination of the characteristics of services that affect the way marketing is practiced. Such characteristics can be understood by answering the following questions:
1. What is the nature of the service “act”? 
2. What type of relationship does the service organization have with its customers? 
3. How much room is there for customization and judgment on the part of service provider? 
4. What is the nature of demand for the service? 
5. How is service delivered? 
6. What are the attributes of the service product? 

With a view to suggesting classification schemes, it is possible only after proper examination of each question that will yield strategic marketing insight and encourage thinking about problems in services marketing.

Researchers over the time have attempted to do so and in this series the first one was proposed in 1964 and latter others joined. The table provides the summary of these classifications. These classifications not only projects the complexity of services but also suggests how it is in a specific situation to carefully analyze the detailed nature of service operations. The general characteristics of services as discussed does not change with the type of business, where, customer is an individual or a collection it; the intangibility of services in general; some kind of contact between the customer and the service provider and customers input is always required in the process.
### Table 2.5
Summary of proposed schemes for classifying services

<table>
<thead>
<tr>
<th>Author</th>
<th>Proposed classification scheme</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judd (1964)</td>
<td>1. Rented good services (write to own and use of a good for a defined time Period) 2. Owned good services (custom creation repair or improvement of goods owned by the customer) 3. Non goods services (personal experiences or “experiential possession”)</td>
<td>First two are fairly specific, cut third category is very broad and ignores services such as insurance, banking, legal advice and accounting</td>
</tr>
<tr>
<td>Shoshtack (1977)</td>
<td>Proportion of physical goods and intangible services contained within each product “package”</td>
<td>Offers opportunity for multiattribute modeling. Emphasizes that there are pure goods and pure services</td>
</tr>
<tr>
<td>Author</td>
<td>Proposed classification scheme</td>
<td>Comments</td>
</tr>
<tr>
<td>-------------</td>
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<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Hill (1977)</td>
<td>1. Service offering persons vs. those effecting goods</td>
<td>Emphasizes nature of service benefits and (in 5) variations</td>
</tr>
<tr>
<td></td>
<td>2. Permanent vs. temporary effects of the services</td>
<td>in the service delivery/consumption environment</td>
</tr>
<tr>
<td></td>
<td>3. Reversibility vs. non-reversibility of these effects</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Physical affects vs. mental affects</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Individual vs. collective services</td>
<td></td>
</tr>
<tr>
<td>Thomas (1978)</td>
<td>1. Primarily equipment based</td>
<td>Although operational rather than marketing in orientation, provides a useful way of understanding product</td>
</tr>
<tr>
<td></td>
<td>(a) Automated (e.g. car wash)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Monitored by unskilled operator (e.g. movie theatre)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) Operated by skilled personnel (e.g. airline)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Primarily people based</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Unskilled labour (e.g. long care)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Skilled labour (e.g. repair work)</td>
<td></td>
</tr>
<tr>
<td>Author</td>
<td>Proposed classification scheme</td>
<td>Comments</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Chase (1978)</td>
<td>(c) Professional staff (e.g. lawyers, dentist)</td>
<td>Recognizes that product variability is harder to control in high contact</td>
</tr>
<tr>
<td></td>
<td>Extent of customer contact required in Service delivery</td>
<td>services because customer exert more influence on timing of demand and</td>
</tr>
<tr>
<td></td>
<td>(a) High contact (e.g. health care hotels, restaurants)</td>
<td>service features due to their great involvement in the service process.</td>
</tr>
<tr>
<td></td>
<td>(b) Low contact (e.g. portal service whole selling)</td>
<td></td>
</tr>
<tr>
<td>Gronroos (1979)</td>
<td>1. Type of service</td>
<td>Notices that the same service e.g. insurance and financial may be</td>
</tr>
<tr>
<td></td>
<td>(a) Professional services</td>
<td>rendered to both individuals and organization</td>
</tr>
<tr>
<td></td>
<td>(b) Other services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Type of customer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Individual</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Organization</td>
<td></td>
</tr>
<tr>
<td>Kotler (1980)</td>
<td>1. People based vs. equipment based</td>
<td>Synthesize previous work, recognizes difference in service organizations.</td>
</tr>
<tr>
<td></td>
<td>2. Extent to which client's presence is necessary.</td>
<td></td>
</tr>
</tbody>
</table>
3. Meets personal needs vs. business needs.

4. Public vs. private, for profit vs. non profit.

Lovelock (1980)

1. Basic demand characteristics
   - Object served (Persons vs. Property)
   - Extent of demand/supply imbalances
   - Discrete vs. continuous relationship between customers and providers.

2. Service content and benefits
   - Extent of physical good content
   - Extent of personal service content
   - Simple service vs. bundle of services
   - Training and duration of benefits

3. Service delivery procedure
   - Multi site vs. simple site delivery.
   - Allocation of capacity (reservation vs. first come first serve).
   - Independent vs. collective consumption.
   - Time defined vs. task defined

Synthesizes previous classifications and adds several new schemes.
Proposed several categories within each classification.
Concludes that defining objects served in most fundamental classification scheme. Suggests that vulnerable marketing insights would come from combining two or more classification schemes in a matrix.
transaction.

- Extent to which customer must be present during service delivery

- The nature of service act

  (a) Tangible actions to people or thing.
  (b) Intangible action to people or thing.

2. Relationship with customers

  (a) Continuous delivery.
  (b) Discrete transaction.
  (c) "Membership" relationship.
  (d) No formal relationship.

3. Customization and judgment in service delivery

  (a) Judgment exercised by customer contact person.
  (b) Customization of services.

4. Nature of demand and supply

  (a) Extent to which demand is constrained.
  (b) Extent of demands fluctuations.

5. Methods of service delivery.

  (a) Single or multi-side delivery.

Provides a service of classification which together illustrates the complex nature of services and provides useful background information for managerial purpose.
(b) Service delivery on provider’s or customer’s premises.

Schmanner (1986)

1. Degree of customization
   (a) Low
   (b) High

2. Degree of labour intensity
   (a) Low
   (b) High

Recognizes that some services may be more customized and involve a higher degree of labour intensity, and may help the leader to understand the strategic and tactical options available.

Vandermerwe &

1. Degree of customer/product interaction
   (a) Lower
   (b) Higher

2. Relative involvement of goods
   (a) “Pure” services
   (b) Services with some goods or Delivered through goods.
   (c) Services embodied in goods.

Recognizes the importance and role of goods components in services businesses.

Source: Lovelock, C.H., (1983): "Classifying services to gain specific marketing insight".
Significance of services: In the present day world the service sector is growing at a phenomenal rate. All the countries around the globe are keenly interested in utilizing this sector of economy. The developed countries have done well and are dependent heavily on this sector for the economic development. The significance of this sector in the sphere of socio-economic transformation can't be underestimated. The following facts prove that until we increase our dependence on the service sector, our all efforts for the welfare and well being of the masses show lukewarm response.

1. Creating large-scale employment opportunity: - The service sector creates and expands job opportunity. Generally in the developing economies and to be more specific in the Indian condition where unemployment is a critical problem, this sector will help in decreasing this problem by giving proper solution. The contribution of services to GNP in the developed countries is very significant, therefore the developing countries can follow the path and motivate the participation of organization in the service sector.

2. The dependence on technologies is low: - In the modern era we have increased our dependence on sophisticated technologies. The developed countries are technologically well off and so they do not face any
problem while integrating the national development programme with the sophisticated technologies. In this contest the developing countries are not found in the same boat. These countries are technologically backward and so they have to borrow or import technologies putting pressure on the foreign exchange reserve. So it is necessary for these countries to reduce their dependence on advance and sophisticated technologies or develop their own technology. The later one is a time consuming process so the best solution is to raise or maximize our dependence on service sector so that the demand for sophisticated technology is advanced.

3. Better utilization of untapped resources: - By concentrating on the primary and the secondary sector, we utilize the natural resources but for the proper development we must think for out untapped resources. The service sector provides an opportunity to make an optimal utilization of untapped valuable resources. As India is a country of huge population this service sector is of immense help in utilizing our unemployed human resources. By marketing services, we utilize resources which remain unutilized or underutilized and prove a burden on our exchequer. The personal care services, tourism, entertainment, hotel etc if not utilized are a national waste, so it is our social responsibility that conservation of resources gets an overriding priority. The services' marketing simplifies our task of conserving the valuable natural resources for the future generations.
4. Helps in capital formation: - Experts agree that capital formation contributes in the process of socio-economic transformation. So we must activate our efforts in this direction. Our investment must be productive and proactive and it must help us in raising our GNP. Service sector if managed properly generate positive results in this direction. For the accelerating rate of economic transformation we must capture the opportunities and must trace out the important service sector in the background of national socio economic conditions. In USA an individual spends about 47% of his money on services but unfortunately the same trend is not found in India and other developing countries. So one of the important tasks of development planning is to raise the contribution of service sector to the national economy.

5. Improving the general standard of living: - Increasing the rate of capital formation, economic transformation and national income are not the accurate sign of raise standard of living but indeed it is shown when masses are aware of living styles and behavior. How to earn is immaterial for standard of living but for raising our standard it is necessary to know that how to spend, where to spend, and how much to spend. We must be known to our personality, priorities, carrier, way of communication, art of impressing etc in attaining the raised standard of living. The services
marketing concentrates attention on all these components and help human being in transforming their external and internal value.