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## SERVICE MARKETING THEORY: A CRITICAL APPRAISAL

### 1. AIM OF THE PAPER

One of today's most expansive branches of the marketing discipline is the service marketing research. This research tradition started in the mid 70<sup>s</sup> (W. R. George, H. C. Barksdale 1974; J. Rathmell 1974), but already today - only 15 years later - it has got a firmly established position both in the U.S.A. and in several European countries. Hence, the American Marketing Association arranges regularly special conferences on service marketing, and a data base has been compiled, comprising well over 3000 references to books and articles on service marketing (E. Gunnesson 1987, p. 16-17).

Service marketing researchers have devoted themselves mainly to the four categories of problems (K. P. Uhl, G. D. Upah 1983, pp. 233-234):

A: "Several authors have concerned themselves with the implications of the intangibility of services for advertising and otherwise marketing services".

B: "A good deal of research has been directed toward describing and drawing normative implications from the marketing practices of firms in specific service industries".

C: "Other studies have dealt with the common service marketing challenges faced by firms across service industries".

D: "Finally, some of the recent research emphasis in the area of service marketing has been the renewed interest in developing classification schema for services".

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When working with problems such as these, the researchers must necessarily have a conception of their core concept, i.e. service marketing. Several authors seem to have only an implicit understanding of the concept - some even reject definitions (J. E. G. Bateson 1985, p. 12). Others do, however, present conceptual analyses and definitions. Most often, these definitions are designed as characteristics of service marketing as opposed to goods marketing. Hence, the researchers claim that service marketing deviates from goods marketing in so many and so crucial respects that current marketing theory is valid for service marketing analyses only to a limited degree. Their conclusion is that there is a need for a new, specific marketing theory for service marketing.

There is, however, no unanimity concerning the various divergencies between service and goods marketing, apart from a fairly widespread acceptance of the four characteristics mentioned first in the list below. Otherwise, it seems as if the researchers identify quite different traits as distinctive for service marketing. This must necessarily be a major drawback for this new research tradition, as it might mean that the researchers analyse partly different phenomena, and so, the potentials for generalization and accumulating growth of insights are limited.

In spite of this alarming problem, more profound conceptual analyses are found very sparsely in the literature, i.e. attempts to relate the various service marketing concepts to one another. One exception from this is the debate among some researchers about the question whether other distribution channels than direct distribution are possible within the service marketing sector (J. M. Rathmell 1966; J. H. Donnelly 1976; W. R. George 1977; G. D. Upah 1980; L. W. Stern I I, El-Ansary 1988).

A sample of the characteristics of service marketing, mentioned in the literature, is the following:

1. Services are intangible or immaterial (G. L. Shostack 1977; W. E. Sasser et al. 1978; Ch. Grönroos 1982, 1985, 1987; K. P. Uhl, G. D. Upah 1983; V. A. Zeithaml et al. 1985).
2. Production and consumption of services take place simultaneously (Sasser et al. 1978; E. Langeard et al. 1981; Ch. Grönroos 1982, 1985, 1987; V. A. Zeithaml et al. 1985).
3. The supply of services is heterogeneous (W. E. Sasser et al. 1978; V. A. Zeithaml et al. 1985).
4. Services are perishable (W. E. Sasser 1976; W. E. Sasser et al. 1978; V. A. Zeithaml et al. 1985).

5. Services cannot be stored (Sasser 1976; K. P. Uhl, G. D. Upah 1983; V. A. Zeithaml et al. 1985).

6. Services cannot be transported (W. E. Sasser 1976; K. P. Uhl, G. D. Upah 1983).

7. Services cannot be owned (K. P. Uhl, G. D. Upah 1983; Ch. Grönroos 1985).

8. The contact between seller and buyer of services is direct or even interactive (W. E. Sasser 1976; Ch. Grönroos 1982, 1987).

9. Services are activities or processes, not things (Ch Grönroos 1982, 1985, 1987; E. Gummesson 1987).

The aim of this article is to reach a deeper understanding of the nature of service marketing through an analysis of the characteristics mentioned in the literature. Hence, the article is an attempt to identify the distinctive marks of service marketing in relation to goods marketing.

When identifying the characteristics of service marketing, it is imperative, first to single out absolutely general traits, valid for all service marketing but not for any type of goods marketing. Authors often claim that a characteristic "is common", "is generally found", "exists as a rule" and similar restrictions does not add any clarity to the concept of service marketing. On the contrary, it contributes even more to confusion. It means that the researchers give characteristics of an undefined subcategory of service marketing, and an undefined subcategory of goods marketing.

Second, it is the basic characteristics which are of prime interest. From the list presented above, it is easy to see that there are interrelations between the asserted characteristics, mainly so that one characteristic is a consequence of another. The specific nature of service marketing contains, of course, all characteristics, both basic ones and deduced ones but identifying the first category must be considered more urgent. The latter ones can then be settled fairly easily through a deductive process.

## 2. ANALYSIS

There seems to be strong agreement among the researchers that services are intangible or immaterial, while goods are tangible or material. This can also be expressed as: the buyer of servi-

ces obtains certain utilities directly, while the buyer of goods gets a bundle of materialized utilities, which are inherent in the good and which the buyer can avail himself of when using the good.

In reality, the delivery of a service is often connected to delivery of one or more goods, for example food preparation and atmosphere in a restaurant together with food and beverages. This fact does not, however, contradict that the service in itself is purely immaterial.

Hence, it is very common that several products - goods and services - are offered and demanded simultaneously. Some authors have expressed this observation as products having smaller or larger elements of service character. Such a conception is, however, fruitless. Theoretically seen, it must be conceived as offers containing goods and services in various proportions, and these goods and services are purely material and purely immaterial respectively (J. M. Rathmell 1966; G. L. Shostack 1977; J. E. G. Bateson 1985).

The immaterial nature of service seems to be one of the basic characteristics which are sought here and from this several other characteristics can be deduced. This is true for the assertion that services cannot be stored (G. D. Upah 1980; E. Langeard et al. 1981). The input factors to a service production process can be stored to the extent that they are goods. Likewise some output factors can be stored, if they are goods - for example, the cooked meal, the repaired chair or the transported goods. The service itself cannot, however, be stored, as it does not exist physically.

Further, it can be deduced that services cannot be transported. In the literature, there is some confusion on this point as there are different relations between services and transports, but these are of such a character that the assertion just mentioned remains true. Hence, transports are services in themselves just as other ways of overcoming distances (telephone communications, radio transmissions, etc.). Likewise, many services can be produced, while the input factors are being transported, but this does not mean that the service itself is transported. Similarly, a person or a good, which is an object for service production, can be transported, without the service itself being transported.

As a service is immaterial and, hence, cannot be stored, it is also perishable. The service producer cannot solve his demand

fluctuation problem by sending products to buffer inventory. All other ways of creating co-ordination between demand and supply are, however, open for the service producer, just as they are for the goods producer: stimulating and destimulating demand, using variable production factors, adapting capacity level, etc. (W. E. Sasser 1976; L. L. Berry et al. 1984). As the service producers do not have the option of storing their products, they will, consequently, rely on the other methods more than goods producers.

Service marketing researchers often claim that simultaneity should be an important characteristic, i.e. production and consumption of services take place simultaneously. The production of a service and the consumption of that very service are started and terminated at the same moment. To understand this assertion, the concepts of production and consumption must be scrutinized. Both production and consumption can be interpreted in terms of utilities. Production then means that utilities are created while consumption is availing of utilities. As regards consumption it is fairly easy to identify its length of time: it starts when the consumer has his first opportunity to acquire the benefits of the product (service or good) and ends when there are no more benefits to derive.

Establishing the time period for production is more difficult, as we can calculate it with different starting moments. At the one extreme, one can include production of input factors, etc. so far back that natural resources of different kinds mark the starting point. If so, the production time would comprise years or even decades. At the other extreme, production could be interpreted as only the very last phase, i.e. the final transformation where given input factors are turned into a complete product. This is, hence, a very restricted view of the concept of production.

No matter which production conception is chosen, the conclusion must be that the assertion about simultaneity between production and consumption of services must be dismissed. A service is most often consumed after the production process is completed. The haircut gives utilities to the consumer until his next haircut; the school teaching gives knowledge for all life; the theatre gives impressions to be remembered for a long time ahead (K. J. Blois 1974). Likewise, the service can be partly produced before any contact to the consumer is established. The consul-



tant has some standard solutions to some common-place problems; it has taken a long time for the restaurant owner to create the atmosphere.

It seems that some researchers have realized this weakness in the assertion about simultaneity, as they talk about "a certain degree" of simultaneity. However, neither this can be accepted as a general characteristic of service marketing. There are many situations where the buyer cannot obtain the utilities of a service until after it has been produced and delivered. The repair of an automobile, a house or a piece of furniture must be completed altogether before the buyer can start consuming this service.

The conclusion is that simultaneity cannot be considered a characteristic for service marketing, even though this is claimed by many authors. Rather, such simultaneity seems to occur only rarely. The only thing that can be said in this connection is the very trivial statement that the seller's delivery coincides with the buyer's reception of the service.

Several researchers state that the contact between the service seller and the service buyer is direct, that the two are in interaction or even that the buyer participates in the service production (E. Gummesson 1987). This has a certain connection with the topic of simultaneity. Finding examples, contradicting these assertions is, however, quite easy and so they must be rejected (R. B. Chase 1978). Normally, you never meet the one who delivers your morning newspaper. The firm which develops your film is quite anonymous and probably located far away.

Hence, the allegation about direct contacts as a necessary element of service marketing must be rejected. It is evident that there must be some kind of contact between seller and buyer, but this can vary greatly. As seen from the seller's perspective, the contact can pass through different channels - personal or impersonal, material or informational, direct or indirect. For the buyer, the situation is similar - the service could concern him personally or any other person or persons, properties of different kinds or various parts of the buyer's social or ecological environment.

Researchers claim that services, as opposed to goods are characterized by heterogeneity in various respects. There are differences between the supply of services from different producers, and there are differences between the services produced by a supplier at different occasions. The validity of this assertion de-

depends on whether the issue concerns the service producer's ability to create a homogeneous supply or his desire to do so.

Concerning the service producer's wish for homogeneity, it is safe to say that both service producers and goods producers have an interest in satisfying the needs of different buyer categories and, thus, differentiate their offers so as to adapt to different market segments. To what extent the producers engage in product differentiation and market segmentation is determined by existing cost and revenue conditions. If service marketing is characterized by greater heterogeneity, the reason would then be that services are cheaper to differentiate than goods are, and/or that service buyers appreciate a well-adapted product higher. It is very difficult to state whether these conditions are valid without a more elaborate analysis - hence, they can neither be confirmed nor rejected here. The question of whether services are more heterogeneous because of service producer interests must therefore remain unanswered.

The next issue concerns the producers' ability to create homogeneous and heterogeneous supplies. As regards to production outputs - i.e. not the products sold - it is hard to argue for any general differences. The degree of heterogeneity depends on, among other things, the type of input factors used. Both goods and services are produced out of very varying sets of production factors. Hence, there is both labor intensive and capital intensive production of both types of products. Consequently one cannot claim that, generally, there are any differences between goods and services concerning the degree of heterogeneity of the production output, due to the abilities of the producers.

In the next phase, i.e. sales and delivery, there is, however, a principal divergence. As services are intangible and therefore cannot be stored, the service producer can neither after the production is completed, conduct any sorting with quality grading nor any scrapping or repairing of failed products. The produced service is delivered to the buyer, no matter if it happens to deviate from standards, promises and expectations. As a consequence of this, highly developed quality consciousness is of extremely great importance to the service production (G. M. Hostage 1975; L. L. Berry et al. 1985; Ch. Grönroos 1985). The negative implications of failing products are greater for the service producer than for the goods producer.

The goods producer can, on the other hand, after a certain

quantity of goods has been produced, make various kinds of sortings, so that his market supply becomes very homogeneous. Thus, the conclusion is that service marketing has as a general characteristic that the service producer's supply is more heterogeneous than that of the goods producer. This characteristic is, however, not a basic one, but derived from the intangibility of services.

To analyse the correctness of the statement that services cannot be owned, the concept of ownership is crucial. First of all, it should be stressed that ownership is principally different from physical possession. With regards to possession there is an evident difference between goods and services. Because of the immaterial nature of services, nobody can, of course, possess a service, while goods can be possessed (G L Shostack 1982

Ownership means, generally seen, a legal right to benefit of certain utilities. In the case of goods, ownership means that one has a future right to utilize the values, inherent in the good, by using it, selling it, rearranging it, etc. As services are immaterial, there are no built-in utilities but the service is transmitted directly to the buyer. Having the right to future utilities in the form of services is, however, also possible, and it occurs quite ubiquitously.

Thus, owning a service means the legal right to obtain some future utilities. As the service buyer agrees with the seller about delivery of a service, the buyer gets ownership to it and claims on it, and the seller gets payment, or some other kind of compensation. In many cases, the right is agreed upon in black and white, in the form of tickets, coupons, contracts or otherwise - or it may be only an oral agreement.

The conclusion is that services certainly can be owned. As the service is delivered, the utilities are transmitted to the buyer, who continues to own it until the utilities eventually become terminated, for example as the snow falls again at the shovelled pavement, as the repaired car breaks down next time or as the impressions of the movie becomes forgotten. In that respect services are quite parallel to goods. As there are no longer any utilities left in a good, it becomes worthless and the owner does not want to own it any more.

It has been claimed that services are processes or activities, not things. Hence, goods are things and non-processes. This is a very far-reaching statement. First, if services are defined as



processes, then processes are services. If so, examples of services would be any individual sleeping and eating, all kinds of production, a parliamentary debate, a war. These examples show that defining a service as a process is quite absurd. It is evident that service production is a kind of process but for certain a specific kind of such.

Second, the service which the buyer demands, pays, acquires and consumes can not reasonably be the process in itself. Rather, it is what the process implies for the buyer, i.e. the results or outputs from a process, and such of a specific kind. Or, expressed in current economic vocabulary, the buyer acquires some utilities as services are produced in a process. Thus, the conclusion is that defining service as a process is not only fruitless but it is also misleading.

### 3. CONCLUSIONS

The analysis above gives quite a depressing picture of today's service marketing research. The very bases which the researchers use as points of departure for their theorizing turn out to be logically inconsistent to a high degree. Hence, also other statements of this new research tradition must be of questionable validity. As seen from a scientific point of view, the service marketing tradition is in serious trouble.

The prime explanation of these deficiencies is the type of methodology dominating current service marketing research. Referring to the fact that the topic is new and undeveloped, the researches apply to a very high extent an empirical-inductive approach, neglecting theoretical analyses and elaborate conceptual discussions. The research is, thus, based only on the researcher's own practical experience, case studies or surveys, with only superficial theoretical bases.

Hence, the overall conclusion of this paper is that the service marketing research tradition must enter a new road, if it is to be accepted in the scientific community. The researchers have to take the theoretical perspective into more account, starting with the very basic concept of service marketing. In other words, it is urgent that the service marketing tradition is supplemented with logical-deductive research approach.

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#### MARKETING USŁUG: UJĘCIE KRYTYCZNE

Obecnie marketing usług jest jednym z najszybciej rozwijających się działów marketingu. Autorzy zajmujący się tą problematyką próbowali w szczególności podkreślić różnice istniejące między marketingiem usług oraz marketingiem produktów materialnych. Akcentując te różnice, wskazywali jednocześnie na potrzebę stworzenia nowej teorii dostosowanej do specyfiki usług.

Ocena dokonana w tej dziedzinie wydaje się być krytyczna. Wysuwane argumenty na rzecz odrębności usług, mają bowiem często charakter dyskusyjny. Można wręcz zadać pytanie, czy jedynym elementem, naprawdę różniącym usługi od produktów, jest ich niematerialny charakter.

Wspomniane niedostatki w badaniach dotyczących marketingu usług, zdają się mieć swe źródło w stosowanym dotychczas podejściu. Badacze tej sfery prowadzili dotąd najczęściej studia empiryczne o charakterze indukcyjnym, na bardzo niskim poziomie abstrakcji, i stawiali sobie głównie cele praktyczne. Wydaje się, iż marketing usług, aby mógł ulec rozwojowi powinien opierać się w większym stopniu na badaniach dedukcyjnych oraz na studiach teoretycznych i bardziej abstrakcyjnym ujęciu tego problemu.