

**"WHAT TYPE OF SERVICE ARE YOU TALKING ABOUT?":
TOWARD A CLASSIFICATION SCHEMA FOR SERVICES**

BY: Richard D. Nordstrom & William E. Rice

(both with Craig School of Business, California State University -- Fresno.)

INTRODUCTION

There simply has never been one consistently accepted definition of a service. In part, this confusion lies in the variety of contexts within which we use the term "service". Isn't it time to recognize the fact that uses of the term "services" are widely divergent rather than homogeneous? Consider the following six general comments about the delivery of services in today's economy. From these comments we hope to build a case that will show you that there are some basic caveats which should guide and direct professional marketers in their analysis of services as marketing tools.

General Comments

One. Today, all firms are interested in CUSTOMER SERVICE. Services are delivered to a recipient that is either a business or individual consumer. As with all marketing analysis, one needs to define the target market.

Two. Services vary in several aspects. CUSTOMER SERVICE in an organization that sells PRODUCTS is different from CUSTOMER SERVICE in a firm that sells SERVICES. In other words, a service is not a service. There is variation in: A.) who pays for the service. B.) the goal toward which the service is supposed to move the organization offering the service. C.) the quality of service offered. D.) the primary and secondary motivations that underlie the decision to use them.

Three. The lone consistency across SERVICES is that positive customer evaluation and feedback are always goals for any marketing oriented service provider.

Four. Today, a common reason for either an individual or a product manager to employ a SERVICE ORGANIZATION is because the recipient does not desire to undertake or oversee the activity. Thus use of services can be seen as prestige or image enhancing. Yet, use of services can usually be justified on economically sound decision criterion.

Five. It is common to provide SERVICE AFTER THE SALE. Follow-up Services can be used to: A.) generate profits. B.) enhance consumption and thus improve satisfaction. C.) attract new or repeat buyers.

Six. Some SERVICES are free to the recipient while other SERVICES cost money. Sometimes a business can even justify a price for a BUNDLE OF SERVICES. Basic warranty is without cost to the buyer. Extended warranty is only available at extra cost.

Seven. Today, we hear talk of a SERVICE INDUSTRY yet one seldom makes reference to a products industry.

It is high time we call a halt to use of the term "service" in any manner that implies services are generic. Each of the above uses illustrates that there is considerable diversity of goal orientation, bearer of the cost, and target market for services. Naturally, one can argue that the English language is full of confusing words with multiple meanings. For example, one can drive on the right side of the road (in America that means the right side of the road), have the right-of-way and, yet, still end up dead right, when a reckless driver hits them as they make a right turn. However, in our minds this does not provide a logical reason why marketing professionals should be absolved from taking more care when using the term "SERVICE". In short, let's take time to classify services by some schema! We classify products why not services?

CAVEATS

Based on our review of research involving services that has already been accomplished the following caveats are offered for acceptance and consideration:

1. All services are stratified. There are multiple levels of:
 - a. recipient need,
 - b. input quality,
 - c. involvement with the product and
 - d. client response.
2. All services are environmentally dependent.
 - a. They are co-dependent on both physical and cultural environmental constraints.
 - b. These constraints dictate the customer's acceptance of the service.

- c. These constraints determine how easily services will contour to consumer feedback and morph to fit new consumer tastes.
 - d. These constraints define the basis for recipient standards of quality and depth of strata defined in caveat number 1.
3. All services are goal driven. Services can be used to help people or firms reach goals. In particular, services help organizations reach goals that are intended to:
 - a. attract more buyers/users to select their offering(s).
 - b. gain support from those who have already purchased a product.
 - c. help buyers/users achieve expectations
 - d. promote the image of the service provider.
 4. All services require recipient interaction. (Interaction means activity between two or more parties is taking place.)
 - a. Since all services are consumed as they are produced, evaluation can be made only after consumption.
 - b. As services morph and contour they are correctively interactive.
 - c. The variety of consumers and input quality variations mean that no service is very unlikely to be 100% effective.
 - d. Levels of quality of interaction are influenced by competitive conditions.
 5. All services are personality or image expressive. Image is projected by the
 - a. Professionalism with which the service is offered.
 - b. Professionalism with which the service is delivered.
 - c. Provider's ability to morph to fit evolving needs.
 - d. Provider's ability to gain and interpret client feedback.
 6. All service quality is defined by the recipient
 - a. Service quality is a function of the recipient's criteria for decision evaluation.
 - b. Service quality is a function of the recipient's expectations and perceptions.
 - c. Service quality is a function of or sub-set of related product performance.
 - d. As services are provided there exists a seamless integration of connection activities and feedback check points

CONCLUSIONS:

1. It is no wonder factors affecting perceptions of service quality depend on the definition of "service". There is no one thing "service". Thus, it is not surprising that researchers look at specific types of services, i.e. health care service (direct service), internet service (B2C or B2B support service), automotive warranty-service (ancillary service), etc. and find variations in the factors.
2. Use of the phrase service providers is confusing and to some degree meaningless. Nobody would ever think of talking about product providers as though they were all alike? It is probably more important that one understand the basic goal for which the service is offered. Services offered to attract buyers, services offered to retain buyers, services offered to gain a competitive advantage, or services offered for social benefit.
3. Services influence product evaluation. Service outcomes are also evaluated. The extent of cost or payment for the service will affect this process. Thus, services need to be classified based on payment. Free, fee per usage or fee with purchase classifications.
4. Marketing people may differ on whether a particular service is free or is based on fee per usage. Competitors may shift to or away from fee per usage as a means of competitive advantage based on periodic feedback. Assessment of service quality will be of greater value when one realizes "What type of Service you are talking about".
5. Possible classification schemas of services should follow the basic rules of development of any classification system. Basically, this implies that each sub-set within the schema provides a unique and unrelated basis for classification. There are five levels in the classification of services.
 - Level One: Target Market (Who Benefits from using the Service?)
 - i. services for the benefit of society
 1. public safety services,
 2. public welfare,
 3. public education,
 4. religions
 5. monopoly control
 - ii. services for the benefit of customers
 1. risk reducing services
 2. health / fitness services
 3. time saving services
 4. speed of ownership services

- iii. services for the benefit of businesses
 - 1. competitive advantage services
 - 2. profit margin enhancing services,
 - 3. feedback services
 - 4. information services

Level Two: Revenue or Cost (Is the Service Purchased (Sold) or Given Away.)

- a. Who pays for the service?
 - i. services paid for by customers
 - ii. services paid for by society
 - iii. services paid for by businesses
- b. What is the basis for payment for the service?
 - iv. Services that are free
 - v. Services that are paid for per usage
 - vi. Services that are paid for at time of purchase

Level Three: Timing (How and When is the Service Delivered.)

- i. Delivered prior to the Sale.
- ii. Delivered after the sale
- iii. Delivered during the sale as sales factor.

Level Four: Goals (Why is the Service Offered.)

- i. To attract new customers
 - 1. risk reduction services
 - 2. sharing of expertise services
 - 3. competitive advantage services
 - 4. information services
- ii. To maintain old customers
 - 1. communication services
 - 2. convenience services
 - 3. education / training services
 - 4. personalization services
- iii. To enhance product satisfaction.
 - 1. maintain quality of operation
 - 2. educate on proper (effective and efficient use) techniques show multiple uses of the product.
 - 3. to support expectations
- iv. To support the Firm's image.

Level Five: Specialization (The Degree to Which the Service Stands Alone.)

- i. Services that are sold as a product.
- ii. Services that are provided to be performed on a product.
- iii. Services that are sold/provided to support a product.

SUMMARY

By way of helping readers apply these caveats, we would be pleased to send a full copy of the text which has an attached Matrix of Services. Within this matrix are examples which illustrate the effectiveness of these five caveats in supporting classifications based on a.) who

benefits, b.) who pays, c.) basis for payment by recipient, d.) purpose for which service is offered, and e.) degree to which the service stands alone. Use of these classifications will assist comparisons of research studies, facilitate strategic planning, and in general make communications about services clearer.

The major issues that were to be clarified by this paper are 1) the need to spread out and stratify the place of service in the mind of the consumer, provider and student, 2) give a "hub and spoke" layout that can properly segment and visually distinguish service issues, 3) provide a resource for writers and educators to build upon and incorporate into future dialogues about service, 4) to give effective definitions and examples to the services dialogue to help bring some "intellectual boxes" that might work better in this debate, and 5) give a different perspective to service concepts, nomenclature and operational positioning.

The authors have desired to bring a new and more detailed perspective to the services dialogue. We hope this paper has accomplished this attempt at "macro" and "micro" dissection of the services area.

A table could be constructed for each of the levels of SERVICE classification. One could use any variety of industries or services to make this set of Charts showing services classified and set forth in matrix format. One example, that of Level Five Specialization is included with this paper.

THE CONTRASTS:

- 1. SERVICES versus PRODUCTS.
(Explanation: SERVICES are intangible, not suited for trial usage, consumed at time of delivery (can't be resold), and cannot be stored for later use.

The first contrast is the well-known PRODUCTS vs. INTANGIBLE OFFERINGS. Here we have become accustomed to simply classifying anything that can be termed an intangible offering as a SERVICE. Yet, consider the wide variations that exist even among intangibles:

- A. Some intangibles provide a benefit for the customer that the customer could not effectively provide for himself. Insurance, buying cooperatives, museums, etc.

- B. Some intangibles require specialized tangible equipment to provide an intangible benefit to the consumer. Travel by train, banking, entertainment, etc.
- C. Some intangibles are simply doing something for the consumer that the consumer elects to have done for him by another rather than do it for him/herself. Janitorial support, security, beauticians, lawn and pool maintenance, garbage disposal, etc.
- D. Some intangibles require specialized training and even licensing. Real estate sales, health care, education, lawyers, etc.
- E. Some intangibles are offered to the community as the customer: landfill collection sites, social security, medical care support, well-fare support, etc.

Some intangibles are a complex combination of all of the above: Military, Police, fire protection, etc.

2. SERVICES THAT ARE SOLD versus SERVICES THAT ARE GIVEN AWAY.

(Explanation: Sold services contribute to the firm's profitability. Services given away are designed to be provided with a goal of improving corporate image or the end user's quality of life.)

This second contrast introduces the distinction that is often made to recognize that there are FOR-PROFIT SERVICE FIRMS and NOT-FOR-PROFIT SERVICE FIRMS. It also addresses the obvious, the basic goal generally accounts for this difference. One group of firms was created with profit as an incentive; the other group may make a profit but was created with a higher objective of assisting people who are in need. Organizations in the for-profit arena could also offer a good or intangible for profit. Likewise, organizations in the not-for-profit sector can be anything from a governmental organization to a Y.M.C.A. Yet, one must be careful to avoid industrial generalizations. It is not uncommon to find there exists a duality of providers as in for-profit-education and in not-for-profit education. Another modern era phenomenon of this nature would be that there are volunteer fundraisers and for-profit fundraisers. Thus, the focus of this distinction is on purpose for which the SERVICE is to be offered, not on intangible nature of the SERVICE.

3. SERVICES PURCHASED versus DO-IT-YOURSELF SERVICES.

(Explanation: one may purchase for prestige while others do-it-yourself because it gives personal satisfaction and/or saves money.)

This third contrast suggests that SERVICES can be provided by a second party in lieu of doing it for oneself. The simple logic is that by hiring a specialist who provides the service all of the time one can get a better output than could be obtained by occasionally doing it for oneself. Advertising firms, janitorial support, photocopy firms, etc. All of these examples offer to do for a person or a firm an activity that could be undertaken by the recipient. The outsider performs the needed task and simultaneously removes the need for hiring, training, and supplies. Such decisions can be based on economic reality -- less expensive for others to do a specialist task. Or the decision can be based on image enhancement -- it looks better for someone else to be mowing my lawn.

4. SERVICES PROVIDED PRIOR TO THE SALE versus SERVICES DESIGNED TO MAKE THE SALE EASIER versus SERVICES PROVIDED AFTER THE SALE

(Explanation: some SERVICES are used to induce sales and others are used to help increase satisfaction of use and ownership.)

5. LEVEL OF CUSTOMER SERVICE versus CUSTOMER SATISFACTION.

(Explanation: Customer Service refers to being able to deliver on time, in fact, etc. Customer Satisfaction refers to how well the use of the product meets consumer expectations.)

THE SIMILARITIES

- 1. Both SERVICES and PRODUCTS can enhance the image of either the consumer or the provider.
- 2. Both SERVICES and PRODUCTS can be consumed by firms or by individuals.

In short, these two SIMILARITIES between services and products can be summarized by saying, either offering must be aimed at a target market. Further, consumers who by either offering are motivated. However, there is no one motivation that accounts for the purchase of any one product or service. The attraction of either a product or a services is, in part, because there are many opportunities to appeal to large numbers of buyers.