

THE OPEN UNIVERSITY OF TANZANIA
FACULTY OF BUSINESS MANAGEMENT

OMK 610: SERVICES MARKETING

COURSE OUTLINE 2006

1.0 INTRODUCTION

Services present special challenges that must be identified and addressed. Problems commonly encountered in service organizations not faced by goods businesses – the inability to inventory, difficulty in synchronizing demand and supply, and challenges in controlling the performance quality of human interactions – need to be articulated and tackled by managers. Therefore the importance of this course is to help students (future managers) understand and address these special problems of services marketing.

The attraction, retention and building of strong customer relationships through quality service (and services) are at the heart of this course. The topics covered are equally applicable to organizations whose core product is service (such as banks, transportation companies, hotels, hospitals, educational institutions, professional services, telecommunication) and to organizations that depend on service excellence for competitive advantage (high – technology manufacturers, automotive and industrial products, and so on).

The course is organized into ten (10) lectures, each of which has key learning objectives, a set of relevant topics and a list of relevant readings. Many of the ideas and strategies you have learned and will learn in other business courses certainly apply (either totally or to some extent) to service businesses and to the management of services within manufacturing and high – technology industries.

2.0 COURSE OBJECTIVE

The objective of the course is to enable you to understand the context within which service business operate. It will give you knowledge with which to approach the marketing and management of services, along with marketing and management tools unique for service contexts. You will also learn tools, strategies and approaches for developing and delivering profitable services that can provide competitive advantage to firms.

3.0 COURSE CONTENT

3.1 Lecture 1: Introduction to Services

3.1.1 An Overview

This lecture will explain what services are by highlighting some of the distinctive characteristics of services, trends in the service sector and the challenges that face managers in service driven businesses.

3.1.2 Key Learning Objectives

At the end of this lecture you should be able to:

- Explain what services are and identify trends in the service sector

- Explain the need for special services marketing concepts and practices
- Outline the basic differences between goods and services
- Understand the services marketing mix

3.1.3 *Sub – Topics*

- The Meaning of Services Marketing
- Trends in the Service Sector
- The Need for services Marketing
- The Differences between Goods and services and their Marketing Implications
- Services marketing mix.

3.1.4 *Readings*

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, *Services Marketing, Integrating Customer Focus Across the Firm* (New Delhi: Tata McGraw-Hill, 2003), Chapter 1, pp. 1 – 30.
- Valarie A. Zeithaml, A. Parasuraman, and Leonard L. Berry, *Delivering Quality Service* (New York: The Free Press, 1990).
- W. Earl Sasser, R. Paul Olsen and D. Daryl Wyckoff, *Management of Service Operations: Text, Cases and Readings* (Boston: Allyn & Bacon, 1978).
- James A. Fitzsimmons and Robert S. Sullivan, *Service Operations Management* (New York: McGraw-Hill, 1982).
- Any other Service Marketing text book.

3.2 **Lecture 2: Focus on the Customer**

3.2.1 *An Overview*

This lecture will give you an overall familiarity of the Gaps Model of Service Quality with its components. The central focus of the gaps model is the customer gap, the difference between customer expectations and perceptions.

3.2.2 *Key Learning Objectives*

At the end of this lecture you should be able to:

- Understand the generic differences in consumer behaviour between services and goods
- Recognize that customers hold different types of expectations for service performance
- Define and understand customer satisfaction and service quality and how these two types of customer perceptions are related.

3.2.3 *Sub – Topics*

- The Gaps Model of Service Quality
- Consumer Behaviour in Services
- Customer Expectations of Service.

- Customer Perceptions of service.

3.2.4 Readings

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, *Services Marketing, Integrating Customer Focus Across the Firm* (New Delhi: Tata McGraw-Hill, 2003), Chapter 2 - 4, pp. 34 – 117.
- W. Earl Sasser, R. Paul Olsen and D. Daryl Wyckoff, *Management of Service Operations: Text, Cases and Readings* (Boston: Allyn & Bacon, 1978).
- James A. Fitzsimmons and Robert S. Sullivan, *Service Operations Management* (New York: McGraw-Hill, 1982).
- G. Lynn Shostack, “Planning the Service Encounter” (Lexington, Books, 1985)
- Any other Service Marketing text book.

3.3 Lecture 3: Listening to Customer Requirements

3.3.1 An Overview

Not learning what customers expect is one of the root causes of not delivering to customer expectations. The necessary first step in improving quality of service is for management to acquire accurate information about customers’ expectations. This lecture presents formal and informal methods to capture information about customer expectations. It will also explain how to build strong relationships and understand customer needs.

3.3.2 Key Learning Objectives

At the end of this lecture you should be able to:

- Understand customer through multiple research strategies
- Build strong relationships and understand customer needs over time.
- Implement recovery strategies when things go wrong.

3.3.3 Sub – Topics

- Understanding Customer Expectations and Perceptions through Marketing Research.
- Building Customer Relationships
- Service Recovery.

3.3.4 Readings

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, *Services Marketing, Integrating Customer Focus Across the Firm* (New Delhi: Tata McGraw-Hill, 2003), Chapter 5 - 7, pp. 122 – 215.
- James A. Fitzsimmons and M.J. Fitzsimmons, *Service Management for Competitive Advantage* (New York: McGraw-Hill, 1994).

- Charles B. Weinberg and Christopher H. Lovelock, “Pricing and Profits in Subscription Services Marketing: An Analytical Approach to Customer Valuation”, (Chicago: American Marketing Association, 1986).
- Paul S. Bender, Design and Operation of Customer Service Systems (New York: The Free Press, 1991).
- George S. Day, Market Driven Strategy (New York: The Free Press, 1990).
- Any other Service Marketing text book.

3.4 Lecture 4: Service Development and Design

3.4.1 An Overview

Four risks exist in attempting to describe services in words alone. These risks include *oversimplification, incompleteness, subjectivity* and *biased interpretation*. All these risks become apparent in the new service development process. This lecture presents approaches for new service development and design to address these unique challenges.

3.4.2 Key Learning Objectives

At the end of this lecture you should be able to:

- Describe the challenges inherent in service design
- Understand steps in the new service development process

3.4.3 Sub – Topics

- Challenges of service Design
- New service Development and Design.

3.4.4 Readings

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, Services Marketing, Integrating Customer Focus Across the Firm (New Delhi: Tata McGraw-Hill, 2003), Chapter 8, pp. 217 – 250.
- Paul S. Bender, Design and Operation of Customer Service Systems (New York: The Free Press, 1991).
- George S. Day, Market Driven Strategy (New York: The Free Press, 1990).
- Any other Service Marketing text book.

3.5 Lecture 5: Customer – Defined Service Standards

3.5.1 An Overview

Creating service standards that address customer expectations is not a common practice in many firms. Doing so often requires altering the very process by which work is accomplished, which is ingrained in tradition in most companies. Change among other things requires a willingness to be open to different ways of structuring,

calibrating, and monitoring the way service is provided. This lecture presents how customer expectations can be translated into specific service quality standards.

3.5.2 Key Learning Objectives

At the end of this lecture you should be able to:

- Differentiate between company – defined and customer – defined service standards.
- Illustrate how to translate customer expectations into behaviors and actions that are definable, repeatable, and actionable.
- Explain the process of developing customer – defined service standards
- Understand the importance of service performance indexes in implementing strategy for service delivery.

3.5.3 Sub – Topics

- Customer – Defined and Company – Defined Service Standards
- Expressing Customer Requirements as Specific Behaviours and Actions
- Process for Developing Customer – Defined Standards
- Service Performance Indexes

3.5.4 Readings

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, *Services Marketing, Integrating Customer Focus Across the Firm* (New Delhi: Tata McGraw-Hill, 2003), Chapter 9, pp. 251 – 279.
- Paul S. Bender, *Design and Operation of Customer Service Systems* (New York: The Free Press, 1991).
- Leonard L. Berry, A. Parasuraman, and Valarie Zeithaml, *Achieving Service Quality: Balancing Perceptions and Expectations* (New York: The Free Press, 1990).
- Any other Service Marketing text book

3.6 Lecture 6: Physical Evidence and the Servicescape

3.6.1 An Overview

Physical evidence is particularly important for communicating about credence services (such as auto repair), but it is also important for services such as hotels, hospitals, and theme parks that are dominated by experience attributes. This lecture explores the importance of physical evidence for communicating service quality attributes, setting the customer expectations, and creating the service experience.

3.6.2 Key Learning Objectives

At the end of this lecture you should be able to:

- Explain the impact of customer perceptions of physical evidence, particularly the servicescape.
- Understand differences in types of servicescapes, the roles played by the servicescape, and the implications for strategy.
- Explain why the servicescape affects employee and customer behaviour, using a framework based in marketing, organizational behaviour, and environmental psychology.
- Analyze four different approaches for understanding the effects of physical evidence and servicescapes.
- Understand elements of an effective physical evidence strategy.

3.6.3 *Sub – Topics*

- Physical Evidence – What is it?
- Types of Servicescape
- Framework for Understanding Servicescape Effects on Behaviour.
- Approaches for Understanding servicescape Effects
- Guidelines for Physical Evidence Strategy.

3.6.4 *Readings*

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, *Services Marketing, Integrating Customer Focus Across the Firm* (New Delhi: Tata McGraw-Hill, 2003), Chapter 10, pp. 280 – 311.
- Paul S. Bender, *Design and Operation of Customer Service Systems* (New York: The Free Press, 1991).
- George S. Day, *Market Driven Strategy* (New York: The Free Press, 1990).
- Any other Service Marketing text book.

3.7 **Lecture 7: Delivering and Performing Services**

3.7.1 *An Overview*

Even when guidelines exist for performing services well and treating customers correctly, high quality service performance is not a certainty. Standards must be backed by appropriate resources (people, systems, and technology) and also must be supported to be effective, that is employee must be trained, motivated, measured, and compensated on the basis of performance along those standards. This lecture discusses critical inhibitors to delivering and performing service well. These inhibitors are those which relate to employees, customers and intermediaries.

3.7.2 *Key Learning Objectives*

At the end of this lecture you should be able to:

- Illustrate the critical importance of service employees in creating customer satisfaction and service quality.
- Illustrate the importance of customers in successful service delivery.

- Identify the primary channels through which services are delivered to end customers.

3.7.3 *Sub – Topics*

- Employees’ Roles in Service Delivery.
- Customers’ Roles in Service Delivery.
- Delivering Service through Intermediaries and Electronic Channels.

3.7.4 *Readings*

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, *Services Marketing, Integrating Customer Focus Across the Firm* (New Delhi: Tata McGraw-Hill, 2003), Chapter 11 – 13, pp. 316 – 409.

3.8 Lecture 8: Managing Demand and Capacity

3.8.1 *An Overview*

This lecture focuses on the challenges of matching supply and demand in capacity – constrained services. Unmatching supply and demand occur when the organizations fail to smooth the peaks and valleys of demand, overuse their capacities, attract an inappropriate customer mix in their effort to build demand, or rely too much on price in smoothing demand. The lecture gives you an understanding of these issues and strategies for addressing them.

3.8.2 *Key Learning Objectives*

At the end of this lecture you should be able to:

- Explain the underlying issue for capacity constrained services: Lack of inventory capability
- Understand the implications of time, labour, equipment, facilities constraints combined with variations in demand patterns.
- Lay out strategies for matching supply and demand
- Demonstrate the benefits and risks of yield management strategies in forging a balance among capacity utilization, pricing, market segmentation and financial return.
- Understand strategies for managing waiting lines for times when capacity and demand cannot be aligned.

3.8.3 *Sub – Topics*

- The Underlying Issue: Lack of Inventory Capability
- Understanding Capacity Constraints and Demand Patterns
- Strategies for Matching Capacity and Demand
- Yield Management: Balancing Capacity Utilization, Pricing, Market Segmentation, and Financial Return.
- Waiting Line Strategies: When Demand and Capacity cannot be aligned.

3.8.4 Readings

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, *Services Marketing, Integrating Customer Focus Across the Firm* (New Delhi: Tata McGraw-Hill, 2003), Chapter 14, pp. 411 – 439.
- Any other Service Marketing text book.

3.9 Lecture 9: Managing Service Promises

3.9.1 An Overview

Promises made by a service company through its media advertising, salesforce, and other communications may potentially raise customer expectations that serve as the standard against which customers assess service quality. The discrepancy between actual and promised service therefore broadens the customer gap. This lecture describes why marketing communication is necessary and how companies can do it well. It also describes the importance of companies to manage the messages conveyed by pricing so that customer expectations are in line with what they perceive they receive.

3.9.2 Key Learning Objectives

At the end of this lecture you should be able to:

- Understand the concept of integrated services marketing communications, and discuss the key reasons for service communication problems
- Understand four key ways to integrate marketing communications in service organizations.
- Understand specific strategies for managing promises, managing customer expectations, educating customers, and managing internal communications
- Discuss three major ways that service prices differ from goods prices
- Demonstrate what value means to customers and the role that price plays in value.

3.9.3 Sub – Topics

- The need for Coordination in Marketing Communication and Key Reasons for Service Communication Problems
- Four Categories of Strategies to Match Service Promises with Delivery
- Three Key Ways Service Prices are Different for Consumers
- Pricing Strategies that link to Value Definitions.

3.9.4 Readings

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, *Services Marketing, Integrating Customer Focus Across the Firm* (New Delhi: Tata McGraw-Hill, 2003), Chapter 15-16, pp. 444 – 505.

- Any other Service Marketing text book.

3.10 Lecture 10: The Integrated Gaps Model of Service Quality

3.10.1 An Overview

This course was designed around one approach: viewing services in a structured, integrated way called the *gaps model of service quality*. This lecture draws all of the material together in one place, reinforcing the general ideas and structure of the gaps model and thereby summarizing the course.

3.10.2 Key Learning Objective

At the end of this lecture you should be able to understand fully the gaps model of service quality and be able to use it to improve service quality in any service organization.

3.10.3 Sub – Topics

This lecture summarizes the course by drawing all of the material covered together in one place, reinforcing the general ideas and structure of the gaps model.

3.10.4 Readings

- Lecture Notes
- Valarie A. Zeithaml and Mary Jo Bitner, Services Marketing, Integrating Customer Focus Across the Firm (New Delhi: Tata McGraw-Hill, 2003), Chapter 18, pp. 531 – 540.
- Any other Service Marketing text book

4.0 COURSE ASSESSMENT

ASSESSMENT	QUANTITY	MARKS (%)	SCHEDULED TIME OF THE YEAR
Term Paper	1	30	Submit before 31 st August
Timed Test	1	20	September
Annual Exam	1	50	October
TOTAL		100	