Chapter 15

To consolidate your learning, the key points from this chapter are summarized here:

■ Explain the nature and characteristics of services.

Unlike products, services are considered to be processes, and products and services have different distinguishing characteristics. These are based around their intangibility (that is, you can touch a product, but not a service); perishability (that is, products can be stored, but you cannot store a service); variability (that is, each time a service is delivered, it is different, but products can be identical); inseparability (that is, services are produced and consumed simultaneously); and a lack of ownership (that is, you cannot take legal possession of a service). These are important because they shape the way in which marketers design, develop, deliver, and evaluate the marketing of services.

■ Describe what is meant by the terms ‘service processes’ and ‘service encounters’, and the

principles associated with measuring service quality.

A process is a series of sequential actions that leads to predetermined outcomes. Four main service process categories can be identified: people; possession; mental stimulus; and information processing. A service encounter is best understood as a period of time during which a customer interacts directly with a service (Shostack, 1985). There are three levels of customer contact: high-contact services; medium-contact services; and low-contact services. As more services are introduced, so opportunities for service variability and service failure also develop. Service quality is based on the idea that a customer’s expectations of the service they will receive shape their perception of the actual service encounter. In essence, customers compare perceived service with expected service. SERVQUAL is one model commonly used to measure service quality. It is a disconfirmation model, and is based on the difference between the expected service and the actual perceived service.

■ Outline the principles of relationship marketing, and consider the merits of customer retention and loyalty programmes.

Relationship marketing is based on the premise that retained customers are more profitable than customers based on transactional marketing. Loyalty is an important concept within relationship marketing and different customers represent different levels of value to organizations. There are also different forms of loyalty (for example behavioural and attitudinal) and different marketing strategies are required to reach each of them.

■ Understand the concepts of trust, commitment, and customer satisfaction, and explain how they are interlinked.

There are several key concepts associated with the management of customer relationships. The

main ones are trust, commitment, and satisfaction. These are interrelated, and the management of customer relationships should be based on the principles of reducing the influence of power and the incidence of conflict to build customer trust, gain customer commitment, and, through satisfaction, generate loyalty and retention. This approach should increase the perceived value of the relationship for all parties.

■ Explain the term ‘customer experiences’, the dimensions associated with it, how it has evolved, and how it might be measured.

Customers experience an emotional transition and response through interactions with an organization and its offerings. This individuality of experience implies that there are different types or levels of experience, such as rational, emotional, sensorial, physical, and spiritual. The development of customer experience marketing has been built on evolving ideas concerning service encounters, perceived value, relationship marketing, and customer satisfaction.

■ Explain the term ‘customer engagement’ and the strategies marketers use to increase it.

Building strong bonds with customers is also important because it allows us to obtain indirect benefits from customers’ engagement with the brand. Critically, engaged customers recruit new customers for the brand, influence the opinions of other consumers, and provide useful feedback for organizations. Companies therefore need to plan events and campaigns that allow them to develop customer engagement and maximize its benefits for the firm.