Lecture 2: The Concept and Characteristics of Services

I. The Concept of Service

In this section, we aim to highlight several definitions provided by the literature on service marketing, in order to clarify, at least partially, the often ambiguous concept of "service."

The **American Marketing Association (AMA)** defines a service as: *"activities or benefits offered for sale or associated with the sale of a product."* However, this definition does not clearly or fully distinguish between goods and services.

According to **Stanton**, a service is: *"an intangible activity that provides benefit to a customer or client, which is not necessarily associated with the sale of a tangible good or another service; that is, the production or delivery of a service does not require the use of a physical product."*

Kotler defines a service as: *"any activity or benefit offered by one party to another, which is essentially intangible and does not result in ownership, although its production or delivery may be associated with a tangible product."*

Both definitions emphasize the **intangibility** of services, considering it a key characteristic that distinguishes services from goods. Purchasing a service does not necessarily result in the transfer of ownership or physical possession; instead, the production and delivery of a service aim to provide benefits or utility. Thus, a service can be described as: *"an intangible product primarily intended to satisfy consumer needs and desires while providing utility."*

Both definitions also acknowledge that some services are wholly or partially associated with tangible goods, while others serve as complementary elements to marketed products, and some are purely services. **Shostack** argued that distinguishing between the core service and its peripheral elements provides a basis for defining services.

Gronroos defines a service as: *"perceived, exchangeable entities offered by companies or organizations that generally consider themselves as service providers."* This definition allows any organization that identifies as a service provider to apply research methods specifically developed for addressing service-related issues.

Adrian Palmer defines a service as: *"a process that produces primarily intangible benefits, either as a standalone service or as a core element of a tangible product, through which a specific need or desire of the client or beneficiary is satisfied."*

Other definitions conceptualize service as a **system**, whose elements include: employees interacting with clients, the organization's material and technical support, and the client receiving the service. Among these:

- **Christopher Lovelock** describes a service as: *"a time-based experience that the client undergoes while interacting with an employee of the organization or with its material/technical support."*
- **Christopher & Wright** define services as: *"economic activities that create value and provide benefits to customers at a specific time and place by delivering the desired change to the recipient."*

From the above, it can be concluded that a service is: *"an intangible, interactive activity, which may or may not be associated with a tangible product, primarily intended to satisfy the needs and desires of the beneficiary, providing utility over a specific period without resulting in any transfer of ownership."*

II. Characteristics of Services

Based on the works of **Lovelock** and **Gummesson**, with the addition of *non-ownership* as recognized by some researchers, the main characteristics of services can be summarized as follows:

1. Intangibility

Since services have no physical existence, they cannot be seen, tasted, touched, smelled, or heard prior to consumption. Intangibility refers to the absence of tangible elements that can be experienced through the senses before purchasing a service, which distinguishes services from goods.

In reality, very few products are purely tangible or purely intangible; most products exhibit a mix. Contemporary research focuses on classifying service products along a continuum of tangibility rather than strictly separating tangible and intangible goods.

To overcome the challenges of intangibility, service marketers often attach tangible cues or symbols to convey the presence of a service, such as paying attention to the physical environment where the service is delivered or the individuals providing it. Intangibility also increases the difficulty for customers, as they cannot assess service quality prior to consumption, and thus often rely on the reputation and market image of the service provider when making purchasing decisions.

2. Heterogeneity (Variability)

Heterogeneity refers to the difficulty or impossibility of standardizing services, especially those heavily reliant on human performance. This implies that service providers cannot guarantee uniformity or consistent quality for every service, unlike physical goods. Consequently, both service providers and customers face uncertainty regarding the service outcome prior to delivery.

To mitigate this, service organizations must:

- Make significant efforts to ensure consistent quality;
- Implement structured programs for selecting and training service personnel;
- Maximize automation where possible;
- Establish systems to monitor and measure customer satisfaction, such as complaint management systems, suggestion boxes, and periodic surveys.

3. Inseparability

Inseparability refers to the close connection between the service and the provider. Services are produced and consumed simultaneously, unlike goods, which can be manufactured, stored, and distributed for later consumption.

The provider often embodies the service in the customer’s perception, which may require the beneficiary to be physically present during service delivery, particularly in high-contact services (e.g., medical care, hairdressing).

Implications of inseparability include:

- Direct interaction between the service organization and the customer;
- Necessity for customer participation in service production;

- Higher potential for customer loyalty due to personal interaction.

However, inseparability is not absolute. Some services, such as maintenance or repair of household appliances, do not require the physical presence of the customer.

4. Perishability

Many services are ephemeral and cannot be stored. The more intangible a service, the less feasible it is to inventory it. Services with high perishability cannot be stored as stock, which reduces storage costs for service organizations.

Nevertheless, perishability poses challenges in managing demand fluctuations. Service managers often adopt pricing strategies such as peak pricing or booking systems to address variations in demand. Modern technology has also enabled certain services to be recorded or stored digitally (e.g., recorded lectures or online content), referred to as *"frozen services."*

5. Non-ownership

According to **Judd and Rathmel (1964)**, the non-transfer of ownership distinguishes services from goods. Purchasing a service does not confer ownership; for example, reserving a seat on an airplane does not grant permanent ownership of that seat, whereas buying a car does.

Lovelock and Gummesson expanded this concept to include the notion of *access* or *rental*: consumers gain benefits from services by having the right to use a resource temporarily—such as advice, information access, or professional expertise—without acquiring ownership. This concept has significant implications for service management, particularly in pricing and time allocation, where time is considered part of the service capital, and the value of expertise may depend on duration of availability.