

## Lecture 4: Classification of Services

### Service Classification

Services can be classified in multiple ways, ranging from simplified to more detailed approaches. The simplified classification provides a general overview of common service types, whereas the more detailed approach delves into the structure, characteristics, and nature of services. Understanding these differences is crucial for marketers, as it explains why different forms, categories, and strategies of marketing are applied to each classification.

Classifying services is inherently challenging due to their diversity and complexity, the frequent overlap with tangible products, and the fact that service delivery often involves active customer participation. Numerous scholars have proposed classifications, which are summarized in the appendix to this lecture.

### 1. Importance of Service Classification

Service classification offers multiple advantages:

- It facilitates a better understanding of the nature of services.
- It highlights similarities and differences among service types.
- It provides insights into customer expectations and allows for the analysis of consumer behavior regarding the services offered.
- It helps managers understand consumer needs and behaviors more broadly.
- It aids in developing marketing strategies, as services within the same category often face similar challenges, and successful strategies can usually be applied to all services within that classification. The same applies to marketing communication, pricing, and service delivery strategies.

### 2. Lovelock's Five Systems of Service Classification

Based on in-depth studies, **Lovelock (1983)** proposed five classification systems, each addressing a specific question:

1. What is the nature of the service work?
2. What is the relationship between the service organization and its customers?
3. What is the scope of production and control?
4. What is the nature of service supply and demand?
5. How is the service delivered?

#### *a) Service Nature Matrix*

The first question—"What is the nature of the service work?"—led to four classification approaches, considering whether the service is tangible or intangible and whether it is directed toward individuals or tangible goods and property.

***b) Service Relationship Matrix***

The second question—“What is the relationship between the service organization and its customers?”—involves two main dimensions:

- Whether the customer relationship is continuous or intermittent (discrete occurrences).
- Whether a formal relationship can be developed or if interactions remain short-term, transactional exchanges.

***c) Service Customization Matrix***

The third question—“What is the scope of production and control?”—focuses on the degree of freedom in service delivery and customization.

- Customers often have significant influence over how their needs are met, as services are typically consumed as they are produced.
- Production-on-demand can be assessed along two dimensions:
  1. The extent to which the service characteristics and delivery system are aligned with production-on-demand.
  2. The degree of discretion employees have when serving customers.

***d) Service Supply and Demand Matrix***

The fourth question—“What is the nature of service supply and demand?”—addresses the fact that services cannot generally be stored for future use during periods of high or fluctuating demand.

- Marketers have developed strategies to balance supply and demand, such as providing additional or free services, prioritizing certain customers, offering alternatives, and encouraging voluntary changes in customer behavior (e.g., discounts or added-value offers during low-demand periods).
- Queue management and reservation systems are also common tools for managing peak demand.

***e) Service Delivery Matrix***

The fifth question—“How is the service delivered?”—concerns communication and distribution:

- Does the organization interact directly with the customer, or does the customer come to the organization?
- Should multiple outlets be available to deliver the service, potentially using intermediaries despite risks to quality control?
- Can certain supplementary services be separated from the core service and delivered via intermediaries or alternative distribution channels?