

# Chapter 2

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## The Nature of Service

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### STUDY OBJECTIVES

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Having completed this chapter, readers should be able to:

1. understand the differences between service products and manufactured goods from a management perspective;
2. understand the distinctive process of service management and the challenges faced by service managers; and
3. apply these understandings in the context of hospitality management.

### OUTLINE

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- ▶ Introduction
- ▶ Differences between product and service
- ▶ Management implications for *IHIP*
  - ▶ Intangibility
    - What is *intangibility*?
    - The special importance of intangibility
  - ▶ Implications with intangibility
    - Difficulty in discriminating between one service offering and another
    - Perceiving the service purchase as involving high levels of risk
    - Seeking personal information regarding the reliability of service
  - ▶ Heterogeneity
    - Heterogeneity at various levels
    - Technology is not always helpful

## INTRODUCTION

This chapter addresses the nature of service, and compares services with the products of manufacturing industries. Service *products* differ from physical products in their composition, production process, delivery, and consumption. The management and marketing of a service therefore requires approaches that are quite different from those traditionally used in the management and marketing of manufactured goods.

These different approaches stem largely from four distinctive features of service: intangibility, heterogeneity (variability), inseparability (of production and consumption), and perishability; otherwise referred to as *IHIP*.

These characteristics lead to different consumer perceptions and behaviors—making it more difficult for service providers to ensure customer satisfaction and to establish a competitive advantage. The distinctive characteristics also present significant challenges in the management of supply and demand, in ensuring consistent service quality, and in achieving operational efficiency.

Service managers must understand and cope with these challenges if they are to compete successfully in the complex service environment. This chapter analyzes the nature of service, and identifies some of the implications for service managers.

Over the past 20 years, scholars have begun to question how *unique* or *distinct* the commonly accepted characteristics of service actually are, arguing that services and goods are so intertwined that it is not helpful to suggest differentiation. Nonetheless, it is still generally accepted that service managers benefit from acknowledging these four characteristics and realizing that such acknowledgment can only improve service management effectiveness.

## DIFFERENCES BETWEEN PRODUCT AND SERVICE

Although the differences between product and service have been well established for many years, many services today are still designed, produced, and marketed with little understanding of the true nature of service and the implications for production, consumption, marketing, and management. Even though service provision comprises a package of tangible and intangible components (see Chapter 1), many practitioners and academics continue to address service in a traditional management style—a style which is based, predominantly, on knowledge gained from the goods/manufacturing industry.

Such an approach is inappropriate because the service outcome is intangible in nature. The *product* is essentially an *activity* conducted by people, for people, most often in the presence of people who receive the service. This service is distinctly different from products in the composition, production process, delivery, and consumption. The management and marketing of service therefore requires a different approach from that of products.

Several authors have detailed the characteristics that distinguish services from products, and the ramifications of these differences for management and marketing (see for example, Bowen & Ford, 2002). Although service industries are quite heterogeneous (including businesses as different as beauty salons, hotels, adventure tours, hospitals, electrical utilities, and so on), they do have distinctive features in common about which it is possible to generalize. Understanding and applying this knowledge is valuable in every aspect of tourism and hospitality management.