

Production and consumption inseparability



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Inseparability of production and consumption refers to the concepts of interaction and service encounter. The process of simultaneous production and consumption involves the presence of customers, the customer's role as a co-producer, customer-employee and customer-customer interactions that makes it unique from a product (Shostack 1977). Researchers often refer to the customers as 'partial employees' in a service setting. During co-production, customer involves himself in self-service (self check-in), using technology and machines offered by the service provider (airlines).

2. 1 Service encounters

During simultaneous production and consumption, it is the 'service encounters', that are the critical moments of truth in which customer often develops a perception/ attitude about the business (Bitner et al. 2000) and creates a differentiation from other competitors. In the airline industry, these service encounters are on which the organisation, either thrives or dies based on customer's evaluation of their service. And the successful organisations take it a step further to enhance their core or essential features with extended or enhanced features.

Service encounters can take place across a range from the traditional face-to-face (check-in, cabin crew), telephone (telephonic check in, booking tickets), and lastly through the internet (web check-in, booking tickets) and at every point the airline industry strives to make it easier and comfortable (less time consuming) for the customer. A successful organisation is which that exceeds the customer's expectations (enhancing features) and not just meeting their expectations (core features). But Harris et al. (2003) suggests that if the core features are not met by the airline industry, it is that leads to

customer dissatisfaction. He also suggests that only 5% of the unhappy customers complain to the service providers, thus making it difficult for the service providers to address the issue. What intrigues even more is that the 95% of the customers, who do not complain, talk negatively about the service to their acquaintances. . However, when dissatisfied customers do complain and the problem is resolved to their satisfaction, they are very likely to return. The reasons for dissatisfaction may vary across long queues at check-in or booking counter, incompetent personnel, unsafe website and so on and so forth.

Bitner et al. (2000) suggests that in the airline industry core factors vary from friendliness of the staff, knowledge about the service, efficiency, and quality service, sanitary and safe environment. But to create differentiation from their competitors these organisations, provide added or enhancing factors and those include concierge service, reservations, seating by host, lounge/ hotel facilities for delayed flights and so on and so forth. Today in the airline industry, companies do offer most of these features but it is noted that the cost increases for a more pleasurable experience. For example, an Air India flight provides cheaper flights just barely meeting the core features, but Emirates for the same route provides expensive flights with a varied extended factors. What companies like Air India could do to provide a better experience would be to remove/ reduce the unsatisfactory experience (upgrading a customer, complimentary meal in case of delayed flights, trained personnel to deal with unhappy customers).

2. 2 Shostack's Models

Based on Shostack's Continuum, the package tours (Flights+ Hotels) offered by most airlines, form the intangible end, even though there are tangible ends to be considered. Shostack (1977) suggested that there is no element known as a pure service and that there is always a continuum between the tangible dominant goods and intangible dominant services. The airline industry, the tangible elements include the interiors of the flight, food, seat and also the overall graphic continuity from buying tickets to the attendant's uniforms (Shostack 1977). Even though the airline industry is intangible dominant, different market segments require different elements to make it an experience for them.

Say for example in the case of Virgin airlines they have three tailored traveling experience for three different markets.

In the case of students/ backpackers or during bad economic conditions, it is elements such that 'reaching from one destination to the other' or a 'no frills' flight would be of emphasis on the nuclear core (cheap flights+hostels, bed and breakfast)

In the case of business travelers, it would be schedule frequency along with comfort would be most important (a comfortable travel+ hotel with internet, office facilities).

Lastly for tourists (with families), it would be unison of in-flight and post-flight services (hotels) that would be of paramount importance (Comfortable flight-but not too expensive+hotel near a tourist destination)

But in the case of tangible elements the various markets demand differently. For example, for flights like Air Asia, which offers low cost air travel, the travelers are not provided certain tangible elements such as food and drink in-flight. But these airlines just cater to travelers who wish to travel on a limited budget.

So the challenge for other firms is to create an experience for each market, so that it would form an experience for each of them as each of their needs differ from another. The challenge is to understand how consumers perceive a certain service and what as a firm they should do to manage and meet the expectations (Lovelock and Gummesson, 2004).

Shostack (1977) defined a model that was termed as 'total market entity' where she argues that a change in one element may change the entity on a whole or partial basis. Say for example in an air travel there, it is a unison of both tangible as well as intangible factors. And some tangible factors just act as service elements/evidence.

1. Peripheral evidence: this refers to a tangible factor, which no or little value if it exists on its own. It is part of the service or is required to experience a service. For example a flight ticket, does not mean anything on its own, but is essential for completion of a service.

2. Essential evidence: Consumers do not own these and can exist on its own as its highly dominant in its impact on a service purchase. An example of an essential element provided by Shostack is the DC-10 aircraft, which was involved in a few crashes in the 1970s. But even though all the issues were

resolved, US refused to fly in a DC-10 aircraft that eventually led to scrapping them off completely.

This model however does not show how a service functions and this is explained using another model by Shostack-Service Blueprinting. It has been developed to deal with processes, acts and flows and in (fig 4), a blueprint for airline travel has been presented under how airlines try to reduce variability

2.3 Service experience

Every time a customer is interacting or having a service encounter, a service experience is taking place and because simultaneous production and consumption takes place, the customer mostly experiences the service in the firm's physical surroundings (Groove and Risk, 2001). In some cases the level of involvements between the customer and the employees of the organisation is high and in some cases very low and some with no involvement at all. And the nature of physical environment depends on the nature of service as well as service experience. What the firms aim to do is make profit while creating a satisfactory or unique service experience.

What determines an experience is also the nature of the physical space. For a high involvement case, (for example, self check-in, lounge services, website) customer satisfaction can be enhanced, by creative use of physical design (Bitner 1992). In the second case, where the employees play a major role, and where customers have less or no contact (cock-pit, cargo personnel) with the service personnel, the physical environment should be to motivate, satisfy the employees, as no or few customers will experience that.

In the last case, where there both customers and employees interact in the same environment at the same level (counter check-in), the servicescape is the most complex as it needs to appeal to the customers but at the same time be efficiently motivating the employees (for example, at a check-in the counter needs to look clean and efficient to the customers, but also comfortable for the employee-nice seats, environment). Thus the environment should be neutral to appeal to both customers and employees.

Other than the physical environment, it is the customer to whom the service is delivered is what is important. Like mentioned earlier, different customer have different needs and it varies based on their gender, age, social status and so on and so forth. For example, a customer's needs travelling on business class will vary from that from one travelling in economy class and the service provider needs to meet each of their needs. What normally happens in the airline industry is that the customer travelling on business class is more 'looked after' than the economy class traveller. This would mean that it creates a negative service experience for the traveller.

2. 4 Service Quality

Service experience is defined by the quality of service provided by the airlines.

Based on this service quality, a conceptual model by (Parasuraman et. al 1988), defines the gap between what the customers expect and what is provided. From this model, it can suggested that to create a better service encounter for the customers:

Gap1

This represents the void between the perceptions and expectations between the marketer and the consumer. The key is to understand what the customer expects rather than forming a perception of what they might want.

Parasuraman et al. (1988) suggests that this void can be filled if sufficient market research is done prior to offering the service. For example, if an airline firm is to find out what a particular target market is looking for, before offering enhanced factors.

Gap 2

This refers to the void between what the company perceives and the service quality specifications. For example, low-budget flights like Air Asia advertise that they provide in-flight entertainment, but the quality is limited (all passengers view the same programme on a single television set)

Gap 3

This is the void between quality specification and service delivery. For example in the case of few Asian airline companies, the quality of service provided would be accepted by the home nation. But outside the home nation, the quality specification may not be on par with what the customers expect. For example, in India, Kingfisher airlines claims to provide world class travel experience to its customers. Even though the service provided is perceived to be on par with top airlines in India, the quality of service offered is nowhere close to airlines such as Singapore Airlines, Thai Airways etc.

Gap 4

This relates to the void between the standard of quality promised and the service delivered. Thai airways has positioned itself as an airline that brings together quality as well as hospitability ('Travel with the Thai touch, Smooth as Silk'). But what raised issues and led to negative publicity was when their personnel were found to be rude to passengers. This led to a completely contradicting image of what they claim to be to what is delivered.

2.5 Differentiation

To create a differentiation from their competitors, airline firms use the Porter's Generic Strategy Model (1980):

Cost Differentiation

Cost Leadership

(No Frills)

Rynair, EasyJet, AirAsia

Differentiation

(Premium price for superior quality)

Singapore Airlines, Emirates

Cost Focus

(Differentiation only for a particular target group)

Kingfisher Red-low cost Business travel

Differentiation Focus

(Premium price for superior quality for a small target group)

Concorde flights used by BA, Air France

A380 flights-Singapore airlines, Qantas, Air France

Scope

Narrow Broad

Fig 1: Porter's Generic Model for the airline industry

Airlines Pursuing cost leadership strategy

Airlines pursuing an integrated strategy (some stuck in between)

Airlines unable to achieve either a cost leadership or differentiation strategy

Airlines pursuing a differentiation strategy

High Fares

Low Fares

Low Service Level High Service Level

Fig 2: Airlines Realized Business strategies (adapted from Dostaler, Flouris 2004)

Using Fig 1 and fig 2, Porter's Generic strategy can be explained as:

Cost Leadership

Cost leadership refers to gaining competitive advantage and giving your company an edge over the others. This can be attained in two ways: Firstly increasing profits by reducing costs. Secondly increasing market share by charging low prices.

Airlines such as Air Asian, Rynair have chose to cut costs to a minimum, thus enabling to charge the customers low prices. This tactic helped them gain market share, and also have all their flights fully booked, which leads to further reduction in cost. But where they did compromise in on the in-flight and other services. For example, these airlines do not even provide water in the flight; one is expected to buy them, free seating etc helps them price their tickets low. Smaller airlines even provide just few routes at cheaper prices than their international rivals.

But the risk if when competitors follow suit and hence firms should look for means to continuously reduce costs.

Differentiation Strategy

This involves making ones service different and more unique. This could be achieved by airlines in terms of their airplane types, costs, brand image etc. Singapore Airlines, Emirates have portrayed this image of making travel an experience with their superior quality. But as Porter (1980) argues that for a company using differentiation strategy, they would incur additional costs for research, development, innovation as well as advertising, which are normally recovered from the customers.

Focus Strategy

Airlines using focus strategy focus on a niche market and this could be a unique low cost airline for a target group or high-end price for another target group. For example, the A380 airplanes used by Singapore Airlines and Emirates charge a premium price of £3600 for Business Class travel on Emirates from Heathrow to Dubai. So this is for the target group who like to

travel with a lap of luxury with pool tables, spas, Internet, lounge area etc during their flight of less than 7 hours.

There is very less competition in markets where focus strategies are used. But the risk is when the niche will disappear and when the business and customer preferences change over time.

2. 6 VARIABILITY OF SERVICES

One other feature of services marketing is its heterogynous nature and organisations strive to reduce the variability that would lead to building a strong brand. The aim is to communicate a persistent image and message to its customers at different places and different times. Service Variability can take place in different ways.

Variations in external Conditions -weather, crowding and differences in service locations

Variations in service delivery- customer interactions with employees

Variations in customer perception-customers' perception of a service may differ from place to place and with time too

The figure below shows the causes and consequences of service variability in any organisation.

High Level of perceived risk for buyers

Difficulty in presenting an image of consistent quality

Difficulty in developing strong brands

Services are produced 'live'

Often leads to no chance to correct mistakes before consumption

Often reliant on imperfect human inputs

May be difficult to blueprint the service

Variability of Service

Fig 3 : Cause and Consequences of Service Variability

The issue of variability leads to difficulty in attaining a uniform output especially in services that require a lot of human interaction. Say for example, we still have not developed technology to eliminate the need of humans completely. Airlines do not use robots to replace the human cabin crews as one human interaction is essential and secondly some technologies are too expensive to adopt suggest that behavior varies not only amongst different employees but also amongst the same employee on different days and with different customers (Lovelock 1983). And even though scripting and blueprinting is used to reduce variability, it still has its demerits.

To provide a good service as well create an experience for the customer and to ensure reduced service variability, the airlines use the following techniques:

1. Employee Training

As employees are part of any service provided, most airline firms have a rigorous selection and training process. For example, Singapore Airlines hires staff who fit in with the 'Singapore Girl' image and portray the same values

as the firm does. Firms who invest a lot in selection and training process mostly offer higher quality service than others. Air India does not provide constant training to its staff and hence issues arise when the staffs do not communicate a coherent message. Staff hired should be able to empathise with the customers as well as trained to deal with different types of unsatisfied customers. Also it is taken care to see that the staff matches the cultural differences of the country they are based in.

2. Scripting

Most airlines have pre-determined scripts for each type of service encounter, which consists of either verbal responses or series of actions. The usage of verbal scripts is common while booking a ticket or enquiring about a service. Like for example, when a customer calls a call centre for a query, they normally have a script, which goes by:

“ Good morning, Thank you for calling Malaysian Airlines. My name is Ben and how may I help you?”

Similarly a scripted message is used after a call or as an apology. In the case of scripted actions, it would how all cabin crews, follow the same actions once passengers are in the flight.

All messages and actions are scripted so as to ensure a coherent image, message as well to ensure that the information is communicated at all times. But this has its limitations in terms of how at times personnel feel restricted from offering superior service based on their judgement.

3. Blueprinting

Shostack (1982) suggested that blueprinting allows quantitative description of critical service elements, such as logical sequences of actions and processes, time that happen at a place of service delivery. It also defines actions for the place of interaction (front-line) as well for events taking place beyond the line of visibility. (Zeithaml, Bitner et al. 2006) define service blueprinting as a tool for simultaneously depicting the service process, the points of customer contact, and the evidence of the service from the customer's point of view. With this description, the authors emphasise the different systemic layers overlapping in a service, from the layer of customer interaction and physical evidence to the layer of internal interaction within the service production process. The figure 4 below shows a service blueprinting for an air travel.

Fig 4: Blueprinting for Air Travel

Airport exterior Parking

Baggage claim

Seats

Gift shops. Toilets

Terminal

Food/beverage

Magazines

Airplane

Seats

Gift shops. Toilets

Terminal

X-ray machine

Metal detector

Conveyor belt

Computer/ credit card

Desk

Ticket

Terminal

Airport exterior Parking

Online/ website

Mechanic

Check plane

Metal detector

Conveyor belt

Conveyor belt

Remove bags

Pilot

Serve customer

Greet customer

Send off customer

Load bags on plane

Check Passenger

Greet & take bags

Registration

Leave airport

Pick up luggage

Immigration

Exit plane

Fly

Board plane

Check in

Wait at gate

Security check

Arrive at airport

Reservation

Support Process

Contact Person

Backstage Onstage

Customer

Physical Evidence

4. Quality Audits

This is done to monitor the consistent quality provided by the airlines.

Ground service analysis covers ticketing, check-in, security, lounges, boarding, departures, transfer, arrivals, and corporate branding. Onboard service analysis is a detailed and complex Qualitative evaluation of all product and service delivery elements – core product standards, service efficiency and critical factors of staff service delivery. IATA carries out frequent safety audits.

5. Quality Awards

Airlines often advertise the awards they have received for their superior quality. These awards are recognized worldwide and ensure that these airlines provide world-class travel experience for their travelers. For

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example, in 2009, Singapore Airlines was awarded the Airline of the Year award for its superior quality and safety. These information may not be too relevant for the customers, it just adds enough publicity to make consumers realize how one offers superior service than another thus prompting them to try these airlines on their next travel.

6. Service Recovery

However thorough an airline is on its quality and service provided, there would still be occasional glitches. And a feature of any service is its heterogeneous nature, where each service encounter is different from another one. Berry (1995) argues that companies do not empower front line employees to solve problems immediately.

A service failure does not automatically lead to a lost customer. But once an issue is identified, if it is dealt with promptly and the right actions are taken to ensure that the customer is satisfied, then it mostly would not lead to a lost customer. But in case of a major issue, the customer might seek financial compensation.

7. Customer Retention

Parasuraman et al. (1985) suggests that even though there is a positive relationship between service quality and customer loyalty, above a certain level, additional improvements in quality do not have further impact on customer retention as there is no point in increasing quality costs if it cannot be passed down to the customers.

The variability of services poses a high threat when it comes to brand building, but since humans are an integral part and cannot be eliminated

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completely, steps are taken to provide better training, motivate and encourage employees as they all form part of the service encounter. As Lovelock and Gummesson (2004) suggests that performance is less variable when machine-intensive technologies are used.

So as to reduce the consequences of service variability, airline industries have adopted the use of technology so as to reduce if not eliminate the factor of human error. These include:

Use of computerised system instead of telephone operators.

Use of self-check in Kiosks at airports, mobile check-in (SSTs-Self Service Terminals)

Using website to book or amend tickets.

The other dimension of variability is the extent to which a service can be altered to meet the demand of individual customers. Services that are manufactured for a large number of customers are difficult to be customised like in the case of air travel, but can be customised in particular areas. For Example scheduled airline service is highly standardized in design but offers modules for customizing specific elements, such as alternative schedules; service to or from different airports in the same metropolitan area; different classes and prices; seat location; and a selection of drinks, food, and other amenities.

But with the evolution of technology, industries especially the airlines are adopting technology as far as possible as with rising competition there is no room for error. But not using humans at all is impossible. So as Jim Collins

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said: ' people are your most important asset is wrong. The right people are your most important asset'.

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