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This article compares problems and strategies cited in the services marketing literature with those reported by actual service suppliers in a study conducted by the authors. Discussion centers on several broad themes that emerge from this comparison and on guidelines for future work in services marketing.

THREE basic assumptions pervade the growing body of literature on services marketing. The first holds that a number of unique characteristics—notably intangibility, inseparability of production and consumption, heterogeneity, and perishability—separate services from tangible goods. The second assumption maintains that these characteristics pose vexing problems for services marketers that are not faced by goods marketers. The third and final assumption holds that services marketing problems require services marketing solutions—that strategies developed from experience in goods marketing are often insufficient.

The purposes of this article are: (1) to offer a conceptual framework summarizing the unique characteristics of services, the problems stemming from these characteristics, and the strategies suggested as appropriate to overcome the problems; (2) to report the findings of a national survey of managers of service firms concerning the problems they face and the marketing strategies they use to overcome them; (3) to compare the problems and strategies cited in the literature with those reported by managers of services firms; and (4) to offer recommendations for the development of services marketing thought.

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Literature on Services Marketing

The rationale for a separate treatment of services marketing centers on the existence of a number of characteristics of services which are consistently cited in the literature: intangibility, inseparability of production and consumption, heterogeneity, and perishability. Figure 1 presents a summary of the references documenting these differences.

The fundamental difference universally cited by authors (e.g., Bateson 1977; Berry 1980; Lovelock 1981; Rathmell 1966, 1974; Shostack 1977a) is *intangibility*. Because services are performances, rather than objects, they cannot be seen, felt, tasted, or touched in the same manner in which goods can be sensed. Intangibility, according to Bateson (1979) is *the* critical goods–services distinction from which all other differences emerge.

Inseparability of production and consumption involves the simultaneous production and consumption which characterizes most services. Whereas goods are first produced, then sold and then consumed, services are first sold, then produced and consumed simulta-

FIGURE 1
References Listing Unique Characteristics of Services[a]

Characteristic Cited	Bateson (1977, 1979)	Bell (1981)	Berry (1975, 1980, 1983)	Bessom and Jackson (1975)	Booms & Bitner (1981, 1982)	Carmen & Langeard (1980)	Davidson (1978)	Davis, Guiltinan, and Jones (1979)	Donnelly (1976, 1980)	Eiglier and Langeard (1975, 1976), Eiglier et al. (1977)	Fisk (1981)	George and Barksdale (1974), George (1977)	Gronroos (1977, 1978, 1979, 1983)	Johnson (1969, 1981)	Judd (1968)	Knisely (1979a, 1979b, 1979c)	Langeard et al. (1981)	Lovelock (1981), Lovelock et al. (1981)	Rathmell (1966, 1974)	Regan (1963)	Sasser (1976), Sasser and Arbeit (1978)	Schlissel (1977)	Shostack (1977a, 1977b)	Thomas (1978)	Uhl & Upah (1980), Upah (1980), Upah and Uhl (1981)	Zeithaml (1981)
Intangibility	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Heterogeneity (Nonstandardization)		√	√	√		√	√			√				√		√	√		√	√	√	√	√	√	√	√
Inseparability of Production and Consumption	√		√	√	√	√	√	√	√	√		√	√	√	√	√	√	√	√	√	√	√	√		√	√
Perishability (Cannot be inventoried)	√	√	√						√							√			√	√	√			√	√	

[a]Several authors have disputed the need for a separate treatment of services in marketing. These authors include Bonoma and Mills (1979), Enis and Roering (1981), and Wyckham, Fitzroy, and Mandry (1975).

neously (Regan 1963). Since the customer must be present during the production of many services (haircuts, airplane trips), inseparability "forces the buyer into intimate contact with the production process" (Carmen and Langeard 1980, p. 8). Inseparability also means that the producer and the seller are the same entity, making only direct distribution possible in most cases (Upah 1980) and causing marketing and production to be highly interactive (Gronroos 1978).

Heterogeneity concerns the potential for high variability in the performance of services. The quality and essence of a service (a medical examination, car rental, restaurant meal) can vary from producer to producer, from customer to customer, and from day to day. Heterogeneity in service output is a particular problem for labor intensive services. "Many different employees may be in contact with an individual customer, raising a problem of consistency of behavior" (Langeard et al. 1981, p. 16). Service performance from the *same* individual may also differ: "People's performance day in and day out fluctuates up and down. The level of consistency that you can count on and try to communicate to the consumer is not a certain thing" (Knisely 1979a, p. 58).

Perishability means that services cannot be saved (Bessom and Jackson 1975, Thomas 1978). Motel rooms not occupied, airline seats not purchased, and telephone line capacity not used cannot be reclaimed. Because services are performances that cannot be stored, service businesses frequently find it difficult to synchronize supply and demand. Sometimes too much demand exists (a popular restaurant on a Saturday night) and sometimes too little demand exists (an income tax service in the summer).

The literature suggests that each unique characteristic of services leads to specific problems for service marketers and necessitates special strategies for dealing with them. Figure 2 summarizes the problems which frequently stem from each of the four service characteristics. Figure 3 lists the marketing strategies suggested in the literature to overcome these problems.

FIGURE 2
Unique Service Features and Resulting Marketing Problems

Unique Service Features	Resulting Marketing Problems	Selected References Citing Problems
Intangibility	1. Services cannot be stored.	Bateson (1977), Berry (1980), Langeard et al. (1981), Sasser (1976)
	2. Cannot protect services through patents.	Eiglier and Langeard (1975, 1976), Judd (1968)
	3. Cannot readily display or communicate services.	Rathmell (1974)
	4. Prices are difficult to set.	Dearden (1978), Lovelock (1981), Thomas (1978)
Inseparability	1. Consumer involved in production.	Booms and Nyquist (1981)
	2. Other consumers involved in production.	Bateson (1977), George (1977), Gronroos (1978)
	3. Centralized mass production of services difficult.	Sasser et al. (1978), Upah (1980)
Heterogeneity	1. Standardization and quality control difficult to achieve.	Berry (1980), Booms and Bitner (1981)
Perishability	1. Services cannot be inventoried.	Bateson (1977), Sasser (1976)

FIGURE 3
Suggested Marketing Strategies for Problems Stemming from Unique Service Features

Unique Service Features	Marketing Strategies to Solve Problems	References Citing Strategies
Intangibility	1. Stress tangible cues.	Berry (1980), Booms and Bitner (1982), George and Berry (1981), Shostack (1977a)
	2. Use personal sources more than nonpersonal sources.	Donnelly (1980), Johnson (1969)
	3. Simulate or stimulate word-of-mouth communications.	Davis, Guiltinan, and Jones (1979), George and Berry (1981)
	4. Create strong organizational image.	Judd (1968), Knisely (1979a), Thomas (1978), Uhl and Upah (1980)
	5. Use cost accounting to help set prices.	Beard and Hoyle (1976), Dearden (1978)
	6. Engage in post-purchase communications.	Bessom and Jackson (1975), Fisk (1981), Zeithaml (1981)
Inseparability	1. Emphasize selection and training of public contact personnel.	Berry (1981), Davidson (1978), George (1977), Gronroos (1978)
	2. Manage consumers.	Lovelock (1981)
	3. Use multisite locations.	Carman and Langeard (1980), Langeard et al. (1981), Upah (1980)
Heterogeneity	1. Industrialize service.[a]	Levitt (1972, 1976)
	2. Customize service.	Bell (1981), Berry (1980), Johnson (1981), Regan (1963), Sasser and Arbeit (1978)
Perishability	1. Use strategies to cope with fluctuating demand.	Lovelock (1981)
	2. Make simultaneous adjustments in demand and capacity to achieve a closer match between the two.	Sasser (1976)

[a]Levitt suggests specific techniques to substitute organized preplanned systems for individual service operations (e.g., a travel agency could offer prepackaged vacation tours to obviate the need for the selling, tailoring, and haggling involved in customization). This strategy is the opposite of customization.

The Study

The literature review (Figures 2 and 3) provided a basis for developing the questionnaire used in a mail survey of 1,000 service firms. This survey was conducted to determine (1) the extent to which problems reported to be associated with services actually presented problems for the sample firms, and (2) the degree to which sample firms used the suggested marketing strategies to overcome the problems.

The Sample

A random sample of 1,000 service firms was selected from *Dun and Bradstreet's Million Dollar Directory* (Dun and Bradstreet 1982). A questionnaire and cover letter were mailed to the president of each firm. A follow-up letter and second questionnaire were mailed to nonrespondents three weeks later. Of the original 1,000 questionnaires, 323 (32.3%) were returned and usable. Table 1 shows the results of chi-square analyses performed to determine whether significant differences existed between respondent and nonrespondent firms in terms of distribution of SIC codes, sales revenue, and number of employees. The tests revealed no significant differences between the two groups on any of the three dimensions, suggesting that nonresponse bias was negligible.

Almost 70% of the respondents filling out the questionnaire held top management positions such as CEO, President, and Vice President, while the rest held titles such as Marketing Manager, Marketing Director, and General Manager.

The Questionnaire

The questionnaire contained three sections. The first section included items classifying service businesses: geographic scope of operations, primary customer group, need for customer's physical presence (Lovelock 1980), and duration of benefits (Lovelock 1980). The second section listed eight items capturing the essence of what the literature suggests are difficulties unique to services (shown in Figure 2): (1) services cannot be stored; (2) services cannot be transported; (3) services cannot be mass produced; (4) services cannot be protected by patents; (5) service quality is difficult to control; (6) service costs are difficult to calculate; (7) demand for services fluctuates; and (8) consumers themselves are involved during the service production process. In this section, respondents were asked to indicate on a scale of 1 (no problem at all) to 5 (major problem) the extent to which they believed each item created difficulties in their firms. Part three listed statements concerning business practices and strategies (see Figure 3) which are frequently cited in the literature as solutions to service related problems. Respondents indicated the extent to which each statement applied to their firm on a scale ranging from 1 (does not apply to our firm) to 5 (definitely applies to our firm).

Results

For the sample as a whole, mean scores (on a 1 to 5 scale) were calculated for each problem area, business practice, and strategy.[1] In addition, mean scores across categories under each of the four service classification variables (e.g., geographic scope of operations) were examined using a one-way ANOVA model. The general linear model (GLM) procedure of the *SAS* statistical package was employed for this purpose (SAS Institute 1983). Significant ANOVA results were further investigated using Duncan's multiple range test to identify the categories of firms that differed significantly in terms of their mean scores.

Problem Areas

Table 2 reports the means of the respondents' perceptions concerning the extent to which service characteristics presented problems in their firms. The table also isolates significant differences in perceptions of problem areas among different types of service firms. Judging from the average responses of all firms, service suppliers did not consider the eight problems to be of major concern to them. Only one problem area ("The demand for services fluctuates") received a mean score exceeding the midpoint on the 5-point scale. Two problem areas ("Services cannot be stored" and "Services cannot be protected by patents") received extremely low average responses, indicating that most managers felt them to be of little or no problem in their firms. The remaining problem areas received average scores below the midpoint of the scales. The low average scores were further supported by low percentages of respondents reporting that the problems apply to their firms (indicated by respondents' checking a 4 or 5 on the problem items). While 47% of the respondents viewed demand fluctuation as a problem, less than one-quarter perceived *any* of the remaining seven problems as relevant to their firms (see final column of Table 2). One possible explanation for low scores on these problem areas is that service firms may be dealing with them effectively and therefore do not perceive them to be troublesome.

A few significant differences in perceptions of problem areas surfaced among the types of service firms. However, only some of these differences oc-

[1]All of these scales were anchored at their end points (i.e., 1 and 5) with the descriptive phrases mentioned earlier. Other points along the scales were not labeled. Subjects were simply instructed to circle the number along the continuum on each scale that came closest to their perception of the statement's relevance to their firm.

TABLE 1
Profile of Respondents and Nonrespondents

Number of Employees:	Percentage of Respondents	Percentage of Nonrespondents
Fewer than 25	18	27
25–49	14	13
50–99	15	17
100–199	13	12
200–499	13	12
500 and over	20	13
Not available	7	6
	100	100
	(base = 323)	(base = 677)

χ^2 = 10.96; df = 6. No significant difference between respondents and nonrespondents.

Annual Sales Revenue:	Percentage of Respondents	Percentage of Nonrespondents
Less than $1 million	9	14
$1 million–less than $5 million	13	17
$5 million–less than $10 million	10	9
$10 million–less than $50 million	23	15
$50 million and over	11	9
not available	34	36
	100	100
	(base = 323)	(base = 677)

χ^2 = 9.81; df = 5. No significant difference between respondents and nonrespondents.

SIC Groupings[a]:		Percentage of Respondents	Percentage of Nonrespondents
15, 16, 17	Construction	6	8
42, 44, 45	Transportation	5	5
48, 49	Utilities	4	4
60	Banking: State banks	16	13
60	Banking: National banks	7	6
61	Savings and loans	4	3
61	Nonbank credit agencies	3	3
62, 65, 67	Brokerage firms	9	15
70	Hotels & lodging places	8	8
72	Personal services	3	1
73	Business services	17	16
75, 76	Repair services	5	4
78, 79	Recreation	6	9
miscellaneous		7	5
		100	100
		(base = 323)	(base = 677)

χ^2 = 15.38; df = 13. No significant difference between respondents and nonrespondents.

[a]Categories shown in the table are collapsed categories to ensure adequate cell sizes for the chi-square analysis. However, to provide more specificity, industries from which at least two firms responded are further detailed below: *Contractors:* general contractors, heavy construction; *Transportation:* motor freight, air transport; *Utilities:* telephone, electric, gas; *Brokerage Firms:* securities brokers, holding & investment companies, real estate agencies, insurance carriers; *Personal Services:* power laundries, linen supply & cleaning services, beauty salons & barber shops, photographic services; *Business Services:* advertising agencies, credit reporting services, janitorial & cleaning services, computer programming/data processing services, equipment rental & leasing services, consulting firms, photofinishing laboratories; *Recreation:* amusement parks, public golf courses, audio/video entertainment, membership sports and recreation clubs.

curred on items that had large enough *overall* mean scores to warrant discussion of the differences. The inability to mass produce services appeared to affect businesses serving institutional customers more than those serving individual customers. Costs of services appear to be more difficult to calculate as the duration of benefits increases. Associating direct and indirect costs with the provision of a service evidently becomes less precise and more difficult as the service extends over a longer time period. Quality control difficulties were more salient to nonlocal than to local firms, possibly because nonlocal firms generally op-

TABLE 2
Significant Differences in Perceptions of Problem Areas among Types of Service Firms[a]

Problem Areas	Primary Customer Group: Individual Customers	Primary Customer Group: Institutional Customers	Primary Customer Group: Both	Geographic Spread: Local	Geographic Spread: Statewide-Regional	Geographic Spread: Natl.	Geographic Spread: Intl.	Duration of Benefits: Immediate	Duration of Benefits: Short-term	Duration of Benefits: Long-term	Need for Customer's Presence: High	Need for Customer's Presence: Medium	Need for Customer's Presence: Low	All Firms	Percentage of Firms Checking a 4 or 5
Services cannot be stored.								2.15^{b}	1.55^{c}	$1.85^{b,c}$				1.87 (1.36)	16
Services cannot be transported.														1.65 (1.17)	9
Quality of services difficult to control				2.22^{b}	2.60^{c}	2.92^{c}	$2.53^{b,c}$							2.52 (1.07)	20
Services cannot be "mass produced."	2.01^{b}	2.41^{c}	1.83^{b}											2.13 (1.32)	19
Services cannot be protected by patents.	1.64^{b}	2.09^{c}	$2.08^{b,c}$	1.78^{b}	1.66^{b}	2.07^{b}	2.27^{c}							1.89 (1.35)	16
Costs of providing services are difficult to calculate.								2.33^{b}	$2.44^{b,c}$	2.76^{c}				2.59 (1.25)	23
Customers themselves are involved during the production of services.														2.13 (1.15)	12
The demand for services fluctuates.														3.27 (1.29)	47
Sample Size	125	129	52	100	76	74	49	87	47	173	73	125	114	323	

[a]Numbers are *mean values* on a 5-point scale, on which the higher the value, the more a characteristic applies to a firm; numbers within parentheses in the second last column are *standard deviations;* numbers in the last column are percentages.
[b,c]Means with the *same* superscripts are not significantly different. Means with *different* superscripts *are* significantly different.

erate a greater number of units that are more dispersed geographically. Nevertheless, quality must be carefully guarded because a bad experience in one outlet can affect business in other outlets.

An important finding is the absence of significant differences across different types of firms on the problem area that had the highest mean score (3.27)—"the demand for service fluctuates." Perception of demand fluctuation as a somewhat serious problem is apparently universal.

Practices/Strategies

Table 3 summarizes the extent to which various business practices and strategies are used to overcome problems associated with services across all firms and in different types of firms. These practices and strategies have been cited in the services marketing literature as particularly appropriate for service firms.

Pricing. Average responses across all firms show that cost-oriented pricing strategies are used more than competition- and demand-oriented pricing strategies. Basing prices on what it costs to provide the service had a higher mean (3.78) than either basing prices on what competition charges (mean of 2.99) or on what the market is willing to pay (mean of 2.90). Consistent with these averages are the percentages of respondents checking a 4 or 5 on the scales (indicating that the strategy applies to their firm): 63% base prices on costs whereas a much lower percentage base price on competition (36%) and market willingness to pay (36%). Although service costs may be difficult to calculate (according to the literature and, to some extent, the findings of this study), service companies are apparently making estimates of costs to be sure that they are covered. Competition-oriented pricing, although simpler, may not provide assurance of covering costs. Demand-oriented pricing may be as difficult to implement as cost-oriented pricing and does not guarantee that costs will be covered.

Consistent with the relative popularity of cost-oriented pricing, the use of cost accounting systems appears to be moderately widespread (mean of 3.28). The only significant difference in pricing strategies among types of firms involves the use of cost accounting systems: local firms use the systems significantly less than do statewide-regional firms, probably because these firms tend to be smaller and less sophisticated.

Advertising. The data pertaining to advertising indicate significant differences in usage of advertising among types of service firms. As is usually the case with goods firms, service firms with institutional customers reported that advertising is not as important to their marketing programs as firms marketing to consumers. Moreover, institutional firms report significantly lower usage of television and newspaper advertising, which tend to be consumer media. Firms which require the customer's physical presence during

TABLE 3
Significant Differences in Usage of Business Strategies among Types of Service Firms[a]

Business Practices	Primary Customer Group: Individual Customers	Primary Customer Group: Institutional Customers	Primary Customer Group: Both	Geographic Spread: Local	Geographic Spread: Statewide-Regional	Geographic Spread: Natl.	Geographic Spread: Intl.	Duration of Benefits: Immediate	Duration of Benefits: Short-term	Duration of Benefits: Long-term	Need for Customer's Presence: High	Need for Customer's Presence: Medium	Need for Customer's Presence: Low	All Firms	Percentage of Firms Checking a 4 or 5
Pricing															
Base prices on what it costs us														3.78 (1.27)	63
Base prices on what competition charges														2.99 (1.22)	36
Base prices on what market is willing to pay														2.90 (1.37)	36
Use a cost accounting system				3.02[b]	3.65[c]	3.19[b,c]	3.48[b,c]							3.28 (1.49)	51
Advertising and Word of Mouth															
Advertising is an important part of marketing program	3.55[b]	2.69[c]	3.59[b]					3.57[b]	3.08[b,c]	3.02[c]	3.66[b]	3.29[b]	2.60[c]	3.20 (1.45)	45
Television advertising is important part	1.90[b]	1.42[c]	1.59[b,c]					1.95[b]	1.59[b,c]	1.48[c]	1.88[b]	1.74[b]	1.38[c]	1.65 (1.20)	12
Newspaper advertising is important part	3.23[b]	1.75[c]	3.20[b]	3.31[b]	2.47[c]	2.05[c]	2.02[c]	3.07[b]	2.69[b,c]	2.31[c]	3.01[b]	2.84[b]	2.06[c]	2.61 (1.57)	35
Direct mail advertising is important part														2.82 (1.43)	34
Specific effort to encourage customers to tell others about service											3.99[b]	4.00[b]	2.60[c]	3.86 (1.30)	68
Personal Selling															
Do a lot of personal selling of services														3.84 (1.44)	67
Contact customers after purchase	2.81[b]	3.93[c]	3.17[b]	2.72[b]	3.38[c]	3.81[c,d]	4.32[d]							3.35 (1.45)	50
Carefully choose personnel who interact with consumers	3.98[b]	4.31[c]	3.89[b]	3.94[b]	4.06[b]	4.12[b]	4.52[c]							4.11 (1.01)	76
Train personnel to interact well														4.08 (1.03)	73
Institutional Image															
Much of marketing geared to projecting specific company image														3.78 (1.29)	67
Have customer contact employees dressed in a certain way to achieve image											3.53[b]	3.23[b,c]	2.98[c]	3.24 (1.46)	50
Design facilities to achieve specific marketing or image objectives	3.63[b]	3.01[c]	3.64[b]	3.78[b]	3.04[c]	3.15[c]	3.29[c]	3.66[b]	3.02[c]	3.30[b,c]	3.74[b]	3.49[b]	2.98[c]	3.37 (1.44)	53
Quality Control															
Formal system for controlling quality	3.34[b]	3.80[c]	3.37[b]	3.17[a]	3.57[b]	3.88[b]	3.87[b]							3.54 (1.25)	55
Marketing Orientation															
Regularly collect information about customer needs	3.23[b]	3.97[c]	3.36[b]	3.20[b]	3.70[c]	3.72[c]	4.21[d]							3.60 (1.28)	59

TABLE 3 (continued)

Business Practices	Primary Customer Group: Individual Customers	Institutional Customers	Both	Geographic Spread: Local	Statewide-Regional	Natl.	Intl.	Duration of Benefits: Immediate	Short-term	Long-term	Need for Customer's Presence: High	Medium	Low	All Firms	Percentage of Firms Checking a 4 or 5
Marketing activities are based on knowledge about customers	3.45^b	3.89^c	3.36^b	3.32^b	3.70^c	3.83^c	3.88^c				3.75^b	3.38^c	3.84^b	3.62 (1.19)	59
Firm activities are coordinated to ensure customer satisfaction				3.70^b	4.22^c	4.09^c	4.23^c				4.34^b	3.78^c	4.06^b	4.00 (1.06)	72
Chief marketing executive participates in top management decisions														4.34 (1.05)	84
Willing to produce customer-designed services for clients	3.23^b	4.01^c	3.40^b	3.29	3.49^{b,c}	3.93^c	3.84^c							3.59 (1.47)	60
When a customer is dissatisfied, redo service														2.70 (1.50)	31
Sample size	125	129	52	103	76	74	49	87	47	173	73	125	114	323	

[a] Numbers are *mean values* on a 5-point scale on which the higher the value, the more a characteristic applies to a firm; numbers within parentheses in the second last column are *standard deviations;* numbers in the last column are percentages.
[b,c,d] Means with same superscripts *are not* significantly different. Means with different superscripts are significantly different.

service delivery report that advertising is more appropriate (and use both television and newspaper advertising more) than those where the customer can initiate or terminate the service transaction at a distance.

Firms marketing services where benefits are immediate (hotels) use television and newspaper advertising more than those where benefits endure for a long time (landscaping firms). A possible explanation for this finding is that services with enduring benefits (a college education) are more expensive and require more involvement by the buyer. In these cases, advertising in the newspaper and on television is less likely to trigger a purchase than with lower priced, lower involvement purchases where benefits are immediate (a restaurant meal).

For the sample as a whole, direct mail and newspaper appear to be more important advertising media than television. While 35% of the respondents indicate that newspaper is important and 34% indicate that direct mail is important, only 12% claim that television is an important part of their marketing programs (see final column of Table 3). Television's advertising strengths—which include demonstration as well as sight, sound, and motion benefits—may be less appropriate for services because of their intangibility. Unless a service is associated with relevant tangibles (the equipment in a health club), the service firm may have little to demonstrate. Television, generally the most expensive medium, may also not be feasible for many service firms.

Respondent firms report attempts to encourage word-of-mouth advertising, a finding consistent with the emphasis placed upon this activity in the literature (Bessom and Jackson 1975; Davis, Guiltinan, and Jones 1979; Fisk 1981). The average response of 3.86 on the item, "We make a specific effort to encourage our customers to tell other people about our service," indicates that many service firms place a high degree of importance on word-of-mouth communications. Sixty-eight percent of the respondents checked a 4 or 5 on this item.

Personal selling. Average scores for all firms on the usage of personal selling and image creating strategies reveal particular emphasis in these areas. Overall, respondent firms appear to choose carefully their customer contact personnel (4.11) and to train them to interact well with customers (4.08). These high averages are consistent with high percentages of respondents checking a 4 or 5 on these items: 76% report careful selection of personnel and 73% report training them in interaction skills. Firms that sell to institutional customers report greater care in choosing personnel (4.31) than firms selling to individual customers (3.98), perhaps because there is frequently more riding on each sale to institutional customers. Also, international firms indicate greater care in selecting personnel than firms which operate at local, regional-statewide, or national levels. This result may be due to the large number of people many international firms employ, necessitating more sophisticated hiring practices.

Institutional image. Overall, firms appear to emphasize designing facilities to achieve specific marketing or image objectives (3.57), dressing customer contact personnel in a certain way (3.24), and gearing much of their marketing to projecting a specific company image (3.78). Differences among types of firms surfaced mainly in terms of facilities design; on this item, significant differences occurred in all four classifications. As might be expected, service firms which emphasize facilities design most are those the consumer visits: firms whose primary customer group is individual customers (travel agencies), whose geographic scope is local (haircutting salons), whose benefits are immediate (child care centers), and whose need for the customer's presence is high (health spas).

Customer orientation. Items meant to reflect the degree of customer orientation of respondent firms drew mixed responses. High mean scores on items such as coordinating activities to ensure customer satisfaction (4.00) and involving marketing executives in top management decisions (4.34) indicate marketing sensitivity. However, lower scores obtained on other marketing orientation items, such as performing the service over if the customer is dissatisfied (2.70), reveal less sensitivity to customer needs.

Analysis revealed a number of differences between types of firms. Nonlocal firms, perhaps due to greater resources at their disposal, seem more inclined to research customer needs than local firms. Institutional firms also seem more inclined to do customer research than consumer firms. This finding may be explained by the long-term relationships that need to be cultivated with institutional customers, but it is contrary to studies in goods marketing, indicating that consumer firms are more prone to conduct customer research than institutional firms (see, for example, Cooper and Little 1977, McNamara 1972). In general, service firms serving institutional customers appear to be more marketing oriented than service firms serving end consumers.

Strategies to cope with fluctuating demand. Table 4 presents average responses for all firms concerning the use of strategies to cope with fluctuating demand as well as differences among types of firms. Strategies for peak demand periods which apply most to the sample firms include hiring extra part-time employees (3.55), having employees work overtime (3.54), and cross-training employees (3.73). Peak-time strategies which apply least to respondent firms include letting work fall behind (1.62), taking care of regular customers first and allowing other customers to wait (1.68), turning away business (1.68), and subcontracting work to others (1.95). These inferences are confirmed by the percentages of firms checking a 4 or 5 on each item (final column of Table 4).

The most prominent strategy for responding to periods of low demand involved trying to increase business by calling on customers (3.47). A surprising finding is that many service firms apparently do not reduce prices to increase business during slow periods: offering price reductions scored below 2.0. Only 17% of the respondents checked 4 or 5 on this item, indicating that a minority of firms use the strategy. Nor is new service development a prominent strategy: offering different services to use resources during slow periods scored just above 2.0.

Considerable variation in usage of strategies to cope with fluctuating demand existed between firms serving end consumers and firms serving institutional customers. Consumer firms scored higher than institutional firms on only two strategies: differential scheduling of employees and education of customers to use services during nonpeak times. Firms serving institutional customers, on the other hand, had significantly higher usage scores on eight strategies. Institutional firms, which typically have sales forces, showed sharply greater usage of the strategy, "Try to increase business by calling on customers," than consumer firms. Institutional firms also reported significantly higher usage of several employee hiring and scheduling strategies: letting employees work overtime, hiring extra full-time employees, and laying off employees. Finally, institutional firms reported significantly higher usage of strategies such as turning away business, taking care of regular customers and allowing others to wait, seeking subcontract work during slow times, and offering different services to use resources during slow periods. While mean scores for these last four strategies were low, the data overall suggest that institutional firms use a more varied repertoire of strategies to cope with fluctuating demand than do consumer firms.

Strategies to synchronize supply and demand varied most by geographic scope of operations with usage of 12 of the 19 strategies showing significant differences across categories. National firms appeared to make the greatest use of the strategies, scoring higher than firms in other categories on seven of the strategies (i.e., differential scheduling of existing employees, taking care of regular customers and allowing others to wait, cross-training employees, offering price reductions, increasing advertising, turning away business, and calling on customers). Size and sophistication of national firms most likely account for their higher usage of strategies to cope with the problem of fluctuating demand.

A number of significant differences were also revealed in terms of duration of benefits (usage of the strategies was generally highest in the immediate ben-

TABLE 4
Significant Differences in Usage of Strategies to Cope with Fluctuating Demand[a]

Strategies to Cope with Fluctuating Demand	Primary Customer Group: Individual Customers	Institutional Customers	Both	Geographic Spread: Local	Statewide-Regional	Natl.	Intl.	Duration of Benefits: Immediate	Short-term	Long-term	Need for Customer's Presence: High	Medium	Low	All Firms	Percentage of Firms Checking a 4 or 5
Periods of High Demand															
Hire extra full-time employees	2.55^{b}	3.12^{c}	$2.62^{b,c}$	2.16^{b}	3.37^{c}	2.96^{c}	3.23^{c}				3.13^{b}	2.50^{c}	$2.85^{b,c}$	2.79 (1.61)	37
Hire extra part-time employees								3.96^{b}	4.35^{b}	3.42^{c}				3.72 (1.44)	63
Use differential scheduling of existing employees during peak times	3.75^{b}	3.20^{c}	3.75^{b}	$3.40^{b,c}$	3.73^{c}	3.90^{c}	3.05^{b}	4.00^{b}	3.09^{c}	4.11^{b}	4.03^{b}	3.33^{c}	3.43^{c}	3.55 (1.52)	60
Have employees work overtime	3.26^{b}	4.00^{c}	3.24^{b}	2.97^{b}	3.66^{c}	4.05^{c}	4.10^{c}							3.54 (1.38)	55
Subcontract work to others														1.95 (1.41)	18
Let work fall behind														1.62 (0.93)	6
Take care of regular customers and allow others to wait	1.47^{b}	1.99^{c}	1.53^{b}	1.47^{b}	1.85^{c}	1.92^{c}	$1.65^{b,c}$							1.68 (1.09)	9
Turn away business	1.48^{b}	2.00^{c}	1.39^{b}	1.33^{b}	1.85^{c}	1.92^{c}	1.88^{c}				2.00^{b}	1.47^{c}	$1.70^{b,c}$	1.68 (1.17)	11
Cross-train employees to perform other tasks				3.84^{b}	3.75^{b}	3.90^{b}	3.22^{c}							3.73 (1.26)	60
Educate customers to use service during nonpeak times	2.54^{b}	1.99^{c}	2.78^{b}											2.38 (1.37)	22
Offer incentives to customers using service during nonpeak times								2.75^{b}	1.69^{c}	1.62^{c}	2.69^{b}	1.61^{c}	1.81^{c}	1.97 (1.38)	18
Periods of Low Demand															
Lay off employees	2.51^{b}	2.96^{c}	2.04^{b}	1.88^{b}	2.97^{c}	3.08^{c}	3.14^{c}	3.00^{b}	$2.88^{b,c}$	2.35^{c}				2.60 (1.56)	32
Use differential scheduling of existing employees during slow times								3.72^{b}	3.88^{b}	2.77^{c}	3.69^{b}	3.03^{c}	3.18^{c}	3.22 (1.51)	50
Use employees to perform nonvital tasks during slow times														2.99 (1.38)	39
Offer price reductions				1.50^{b}	2.05^{c}	2.47^{c}	2.05^{c}	2.27^{b}	1.80^{c}	1.59^{c}	2.66^{b}	1.72^{c}	1.68^{c}	1.94 (1.40)	17
Increase advertising				1.99^{b}	2.46^{c}	2.58^{c}	$2.28^{b,c}$	2.61^{b}	2.10^{c}	2.15^{c}	2.75^{b}	2.12^{c}	2.09^{c}	2.70 (1.34)	20
Try to increase business by calling on customers	2.88^{b}	4.13^{c}	3.35^{b}	2.96^{b}	3.63^{c}	4.00^{c}	3.72^{c}				$3.34^{b,c}$	3.27^{b}	3.79^{c}	3.47 (1.52)	57
Seek subcontract work during slow times	1.49^{b}	2.07^{c}	1.48^{b}	1.35^{b}	$1.90^{c,d}$	$1.73^{b,d}$	2.33^{c}							1.72 (1.20)	14
Offer different services to use resources during slow periods	1.94^{b}	2.38^{c}	1.75^{b}	1.74^{b}	$1.97^{b,c}$	$2.42^{c,d}$	2.60^{d}							2.08 (1.37)	19
Sample size	125	129	52	100	76	74	49	87	47	173	73	125	114	323	

[a]Numbers are *mean values* on a 5-point scale, on which the higher the value the more a characteristic applies to a firm. Numbers within parentheses in the second last column are *standard deviations;* numbers in the last column are percentages.
[b,c,d]Means with the *same* superscript *are not* significantly different. Means with *different* superscripts are significantly different.

efits category) and need for customers' presence (firms which directly interact with the consumer use the strategies more). In seven of the eight strategies where significant differences occurred, companies that had a high need for the customer's presence outscored the other two categories in usage of strategies to synchronize supply and demand. These findings are perhaps as one would expect them to be—the need to match supply with demand is *more urgent* when customers are at the service site, waiting to be served (in a bank or restaurant) than when the customers' physical presence is not critical and the service benefits endure over a longer period (architectural services).

Discussion

This article presented a conceptual framework of problems and strategies in services marketing that derive from four unique characteristics of services: intangibility, inseparability, heterogeneity, and perishability. The framework is based on a review of the growing body of literature in services marketing. The article also reported findings from a national survey of service firms concerning problems they face and strategies they use. Presenting the literature review and survey data in one article affords the opportunity to compare points of emphasis in the literature—much of which is nonempirical at this stage in its development—with the input of a cross-section of service companies.

Differences Among Service Firms

One conclusion that can be drawn from the findings is that important differences exist *among* service firms, not just between service firms and goods firms. The existing literature is dominated by discussions of the differences between goods marketing and services marketing. Much less has been written about the differences among service firms. In this study, respondent companies were classified four different ways: by primary customer group, geographic spread, duration of benefits to the customer, and need for the customer's presence during service production. As the data reveal, many significant differences surfaced among service firms when classified according to these criteria, especially with respect to usage of practices and strategies.

As an illustration, firms marketing to institutional customers differ from firms marketing to end consumers in several important ways. Consistent with goods marketing practice, advertising appears to be a less important part of institutional firms' marketing programs. However, somewhat at odds with what we know about goods marketing practices, institutional firms seem to be more marketing oriented: they are more apt to contact customers after purchase to ensure satisfaction, to choose carefully the personnel who interact with customers, and to regularly collect information about customer needs. One possible explanation for this difference is that customers are fewer—and each customer spends more—in the institutional market than in the end consumer market. Institutional firms are also more aggressive in responding to low demand periods (by being more inclined to call on customers to try to increase business) as well as high demand periods (by being more likely to let employees work overtime).

While it is useful to generalize about the characteristics of services and service businesses, it appears to be equally important to recognize that differences exist *among* various services and among the firms that market them. While possible explanations for the differences revealed by the study have been offered, research investigating the causes and consequences of such differences is needed. Lovelock (1983) has provided a rich conceptual foundation for such research efforts.

Services Marketing Problems

Another conclusion to be drawn from the research is that the services marketing literature corresponds more closely with the practices and strategies used by sample firms than with the problems they face. Eight operations or marketing problems associated with the characteristics of services were identified from the services marketing literature. Only one of the eight problem areas ("The demand for services fluctuates") received an average score above the midpoint on the scale. Four of the eight items were just below or just above the 2.0 mark, indicating that they were not perceived to be troublesome.

A discrepancy exists between what the literature suggests would be the case and what respondents to the present study claim is the case. One explanation for this discrepancy is that service firms have internalized these problems and are dealing with them successfully by using the very strategies suggested in the literature to be appropriate. That there were, by and large, higher overall scores for the business practice and strategy items than for the problem items on the questionnaire lends credence to this explanation. If this explanation is valid, many of the problems cited in the literature could be less critical than other areas which were not investigated (e.g., difficulty in developing new services, difficulty in evaluating profitability, difficulty in motivating public contact personnel, etc.). It is also possible that service managers may not have fully grasped the significance of what they were being asked in one or more of the problem statements (e.g., managers may not think in terms of protection in the form of patents but still may be concerned about competitors copying their services). The services marketing literature may need to recognize and analyze additional problem areas that may be particularly troublesome to service firms. Researchers testing managerial perceptions may also need to translate the conceptual problem statements into language more appropriate to service managers.

Implications for Further Research

Numerous implications for researchers interested in services marketing arise from the findings reported in this article. Some of the more intriguing implications are as follows:

1. The services marketing literature tends to be characterized by empirical research *within* certain service industries (for example, banking and health care) and by conceptual work *across* service industries. It is perhaps this combination that has contributed to the glossing over in the literature of many differences between types of service firms found in our study. A research priority in services marketing is empirical study that *transcends* specific industries and tests service marketing concepts.
2. For reasons suggested earlier, this research study did not for the most part uncover the critical problems facing most service businesses today. What are these problems? How are they changing due to environmental, competitive, and other conditions? How do they differ for various types of service firms? The services marketing literature needs to focus on the most critical problems facing service firms if it is to be of maximum value.
3. Of the eight problem areas investigated, fluctuation in demand was considered to be most troublesome by the sample. This would seem to be a fertile area for additional research. The data presented in Table 4 reveal that the sample companies used some but not all of the listed strategies for coping with demand fluctuations. Why are some strategies more useful than others? How does their effectiveness vary among different types of services? Are other useful strategies overlooked in the literature?
4. The literature suggests that word-of-mouth communications are critical because services are intangible and heterogeneous in nature. The data indicate that sample firms make specific efforts to encourage word-of-mouth communications. What strategies are available to service firms attempting to increase word-of-mouth communications? What guidelines and advice can be offered in connection with these various strategies? Are certain strategies more appropriate for certain types of service businesses? Additional research into these and related questions would be helpful.
5. Also suggested in the literature (Kotler 1973, Lovelock et al. 1981)—and corroborated by this study—is the importance of institutional image and the use of tangible cues like physical facilities and personnel appearance to enhance it. Additional investigation of such issues as the use of employee uniforms, the role of architecture in the marketing mix, and the nature and building of corporate image would be useful to many service companies.
6. The emphasis placed on selection and training of service firm personnel in the literature, and by respondents in the study, raised provocative issues about marketing organization. Should the marketing department control employee training? Does the entire human resources function belong in marketing? Conversely, would it be more appropriate in certain service firms to consider field managers as the chief "marketers" and decentralize marketing rather than add functions to a central staff (Gronroos 1983)? These and other issues touching on employee performance and marketing's role in facilitating it are worthy of much additional work.
7. An unexpected finding of this study is that service firms dealing with institutional customers are more marketing oriented than firms dealing with the end consumer: they are more apt to contact customers after purchase to ensure satisfaction, to choose carefully the personnel who interact with customers, and to regularly collect information about customer needs. Why is this finding different from what we would expect based on our knowledge of goods firms? What aspects of services lead to this reversal in the importance of marketing orientation?

Conclusion

Services marketing is becoming a recognized and accepted subset of the marketing discipline. Given the growth of the service sector in economies throughout the world, and the almost universal belief by scholars working in this area that services marketing is in certain key respects different from goods marketing, the rapid growth of service marketing literature in recent years is not surprising. An acceleration of academic interest and research activity in services marketing in the years immediately ahead is to be expected and is necessary because far more questions than answers exist at this time. Implied by the set of research implications reviewed above is the need for researchers to think broadly about researchable issues and to be willing to work in areas not normally classified as "marketing" (e.g., human resources management and facilities design). A need exists for services marketing research to enter a new phase of empirical work that integrates various disciplines and various service industries.

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