

AN INSIGHT INTO THE TANGIBLE DOMINANT OF THE GOODS-SERVICES SPECTRUM

Surbhi Khirbat,

MSc (International Marketing Strategy),
M.Phil (Management)
Lecturer (Marketing), EThames Degree College
(Affiliated to Osmania University, Hyderabad),
India

ABSTRACT

The goods-services spectrum states that increasingly the divide between product and service offerings is diminishing, wherein the organizations are incorporating more service elements to augment their product. Undertaking an exploratory perspective, the study looked into the left hand end of the spectrum to understand the extent of dominance of the intangible elements in the goods category. While taking a product centric ideology, it is clearly indicated that dominance of service offering is prominent with certain limitations such as type of industry, current market situation, quality, and other time bound factors. Therefore, concentration on intangible elements can't be the only product differentiation strategy as it reduces the essence of the core product and might puzzle the consumer on the actual offering by the organization.

Keywords: Goods, Services, S-D logic, G-D logic, Goods Services Spectrum, Tangible, Intangible.

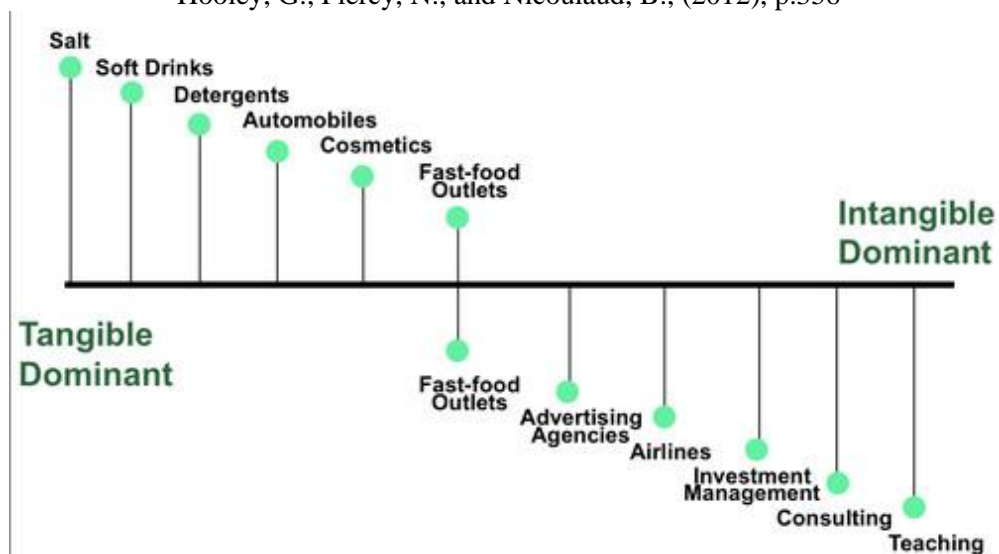
INTRODUCTION:

The early marketing era has evolved from being ‘caveat emptor’ that is ‘let the buyer beware’ to a more consumer oriented approach. This evolution has led to a paradigm shift from selling whatever is produced to a more consumer oriented philosophy. The transition involves producing what the consumer wants and aligning it well with the consumer preferences for serving their purpose along with the growth of the organization. With the introduction of services and thereby developing long-term relationships with consumers, there has been combination of goods and service offerings for the customer in the recent past.

LITERATURE REVIEW:

Referring to the goods-services spectrum, Hooley, Piercy and Nicoulaud (2012), state that- “increasingly, companies operating at the left-hand end of the spectrum are looking to enhance differentiation through focus on the intangible elements on offer. These include branding the offer and the delivery of service to augment the physical product offer. At the right-hand end of the spectrum companies and other service providers are recognizing that the type and quality of the service they offer is their major means of differentiation. The line between tangible and intangible elements is becoming blurred and moving downwards, so that the intangible elements are becoming increasingly important across the whole spectrum.”

-Hooley, G., Piercy, N., and Nicoulaud, B., (2012), p.356



The goods and service spectrum indicates the various forms of offerings made to the consumer. The extreme left hand of the spectrum specifies goods with no related services that are primarily physical and tangible, that is products can be seen and touched. Various examples include FMCG products, electronics. The extreme right end specifies services such as education with no tangible aspect attached to it. The middle of the spectrum is a combination where the business depends on the existence of both; the nature of business is such that they can't be separated (e.g. Restaurants).

Whilst left hand of the spectrum leads to fulfillment of an immediate need such as hunger, status etc., right hand leads to fulfillment of needs that are not visible. For instance, education increased intellect and knowledge of a person. The goods-services spectrum states that for tangible product the means for differentiation is by providing well-crafted services that add value and augment the physical benefits a product is offering. And the right end of the spectrum, in case of services it can be done by differentiating in terms of the quality of service provided and by tangibilising the service (e.g. providing reading material with education).

Both product and services have the capability to offer variations and differentiation but with the increased competitiveness and consumer awareness and changing demand dynamics the difference between the two is reducing and supposedly there is need for understanding the concept at a new level.

METHODOLOGY:

For the purpose of this study, exploratory research design has been used. Exploratory research primarily focuses on finding patterns from the previous researches (Saunders *et al.*, 2012).

The approach to this study is mainly inductive. According to Bryman and Bell (2011), inductive theory involves drawing generalized inferences from a set of observations. This implies that inductive reasoning is about collecting information, seeing what patterns emerge and thus their meaning can be extracted. According to Creswell (2008), inquirers develop patterns or generate a theory. Therefore, as this study aims to analyze without testing anything, the induction approach seems more appropriate.

GOODS-SERVICE SPECTRUM- AN ANALYSIS:

The goods-service spectrum has been of interest to researchers which provide interesting outcomes for today's marketer. According to Vargo and Lusch (2008) there is a divide between a goods-dominant (G-D) logic and a service-dominant (S-D) logic. G-D logic considers goods as the main variant of creating value for economic exchange which is augmented by service as value addition and should only be used in production and distribution respectively to deal with the differences in characteristics of both products and services. In contrast, S-D logic considers service as a single process and purpose irrespective of its relevance to any goods or services and is the primary focus for the exchange of any economic activity (Vargo and Lusch, 2008). In their extensive study, they argue that this divide has undergone a transition from being products centric to a relatively value driven marketing culture which has a lot of influence from the S-D logic, thereby stating that there is no escape for goods or manufacturing industries from employing the S-D or services into their gamut of business and marketing strategies (Vargo and Lusch, 2007).

Kim and Wang (2014) and Wilkinson (2009) partially agree on the level of service integration with respect to the type of industry. Kim and Wang (2014) argue that while a shift in marketing is evident, but what lacks is consideration on the part of organizations that any such decision is inflicted by the nature of product and the type of industry involved. This is hugely applicable to technology driven industries, be it car manufacturing or Information technology (IT). Any technology driven industry provides ample opportunities to its players for product differentiation (Kim and Wang, 2014). Talking about industries, Wilkinson (2009) study adds further to this dimension targeting specifically on the aerospace industry where growth is highly dependent on the performance of service offerings. The evolution in aerospace industry has now become an integrated Product-Service (P-S) system, where service was a separate dimension, but over a period of time they have integrated at each and every step of business processes. According to Jhonstone and Wilkinson (2009) for proper strategy implementation and better coordination, the aerospace industry has integrated services within each division of their business for providing seamless and consistent value offering. Therefore, the degree of differentiation and hybrid offerings is highly influenced by industries as for some industries a few elements can add value to the whole buying process.

According to Cusumano *et al.* (2014) relationship between service and products has become intense and more complex. Describing reasons such as services complement products to increase sales; some services are needed as a complete package for the product description (new technology, engine etc.) Cusumano *et al.* (2014) highlight the importance of integration of products and services. Further, they argue that services can facilitate good financial performance and help in competing with other firms especially in mature industries; they can uplift the product and help in the growth of the firm. Impact of product-service offering is quite

evident which is further augmented by Gebauer *et al.*, (2011) stressing upon that service differentiation is a means to survive and have a competitive edge over competitors. Goods based firms who not only deliver products but also provide services related to the same have seen a transition from goods to service integration for the benefit of the business. Provision of services is relative to design, customization, high-end solution; consulting and innovativeness lead to a high performance and better customer satisfaction (Gebauer *et al.*, 2011).

Zhong (2014) exclusive study involving game theory is an exquisite example of product service integration and its relative performance. An effective differentiation strategy not only increases the total income of the firm but also reduces the demand variations in price per unit (Zhong, 2014). Further, the integration helps in better coordination between product and service departments creating a win-win situation. The results suggest that a firm can switch between service and product orientation depending on which is main contributor in the current market situations. Further, augmenting products offerings via intangible elements gives mental satisfaction to the consumer thereby, affecting the organizational performance (Khang *et al.*, 2014).

In contrast there have been strong arguments with respect to the importance of service offerings. Ulaga and Reinartz (2011) argue that there is a line between providing hybrid (goods and services) offerings which cannot be fulfilled without proper resource utilization and building distinctive capabilities. Further, the integration of services takes place at product life cycle services (e.g. installation); asset efficiency (e.g. durability, power requirements in case of electrical equipments); process support (e.g. customer service agents); process delegation (e.g. technical team handling customer grievances). Depending only on service offerings does not indicate an increase in performance and growth as service integration needs streamlining on the part of whole of the organization (Ulaga and Reinartz, 2011).

This argument is further supported by Kindstorm *et al.* (2015). Describing the clarity on integration of product-services, Kindstorm *et al.* (2015) state that extreme competitiveness limits the firm's ability to reap the benefits of hybrid offerings and firms are posed with the challenges of lesser coordination between a product's marketing strategy and its production department. Therefore, firms lack strategic implementation when it comes to integration in the context of marketing and reaching the suitable consumer (Kindstorm *et al.*, 2015).

There is a strong disagreement on the concentration of products towards service dominant logic and specifically devising their strategies based on the same. If we look at the aspect of firms too much involvement into the services, the findings date back to previous studies. Taking into consideration core B2B manufacturing Hegde *et al.*, (2005) states that over-customization is an indicator of high customer dissatisfaction. The more information solicited from the customer, it leads to more complexities and hinder the working of production processes.

In a UK based study (Raddarts and Burton, 2011) found out that services within the product-centric business (PCBs) are main consideration influencing the overall organization structure. PCBs have been highly product based organizations since inception. This implies a leap in organizations which have products as core to their business strategy. Further, in case of products where differentiation is less in terms of its characteristics, service integration is a major part of the business strategy (Raddarts and Burton, 2011). It is also to be noted that in the same study, organizations that concentrated too much on service integration experienced what is known as 'structural flux'. According to Raddarts and Burton (2011) a structural flux hinders the whole purpose as by not concentrating on products, they are left with nothing to maintain even for the provision of service. Thus, to reap the benefits of any service offering there needs to be a balance in implementation.

PRACTICAL IMPLICATIONS- LUSH COSMETICS (UK):

A successful example of product differentiation, while integrating intangible elements is Lush cosmetics.

With the rise in potential hazards of makeup, which is being used since ages, Lush's concept of product differentiation starts at the root level. Their main aim is to promote ethical buying by

providing handmade and natural makeup as well as cosmetics. Whilst surviving tough competition from brands like Etsy, Sephora and BOMB cosmetics, their USP is revolving around the products that satisfy the needs of customers and integrating it defining new terms for beauty.

Their various success factors are:

Customization within the store: Lush allows its entire consumer base to test products even like soaps by demonstrating its benefits on almost every product on display. They also are heavily into providing samples for first time buyers. Even though it caters to a niche category, Lush is able to maintain its simplicity by reducing the element of luxury even with the display of products. This is an attempt to bond with the consumer which gives an idea of their needs and preferences and thus helps in further innovation (Berger, 2014)

Unconventional Marketing: Their marketing strategy is totally consumer based. They depend on in-store, word-of-mouth marketing and referrals from their niche consumer base rather than other channels. Moreover, there is minimal amount of packaging involved. The product bought is weighed and sold using environment-friendly bags (Berger, 2014).

Ethical standards: Lush is highly committed to its ethical standards which relates to the fact that it provides natural and handmade products. Shankleman (2014) states this as a tool for connecting the value element in terms of keeping it beyond the products and implementing in the supply chain category too. There is better association when a firm commits to ethicalism both in store and in its process. (Shankleman, 2014).

Though there have been successful examples (General motore, IBM, Heinz) of product-service integration or hybrid offering but Lush proves to be an organization which understands the importance of customer and has integrated value as a part of whole organization structure.

CONCLUSION:

There has been quite an evolution from being totally product based organizations to offering services. In order to meet the changing consumer dynamics and suit the needs of a well aware consumer the goods based organizations eventually had to combine their offering with a varied genre of services. The researches target on augmenting and enhancing the consumer experience for product based organizations but not that they can work without the aspect of a product. Collectively, these shifts imply much more than just a move from goods to services. They imply a reframing of the whole purpose of the enterprise and its collaborative role in value creation, for both the firm and consumers involved in exchange and for society.

Differentiation is the key for both products and services. It has been quite evident from numerous studies that purely product based firms had to take the services route for the sustainability of their business and offer differentiating service levels to satisfy the customer needs. Also, the level of differentiation differs from industry to industry. As any offering is product, industry, situation, consumer, and market specific, therefore, it is not evident that any organization can totally depend on intangible offering while reducing its core strength that lies in the product.

The discussion clearly states that products have been capitalizing on increasing their service offerings but more importantly products can't be totally waded off from goods category as they are core to any business and further any service offering strategy would totally depend on the product type, future goals, current situation etc. Therefore, the line seems to diminish but can't be totally or out rightly rejected. There will be more differentiation and more strategies for selling products and to offer value to the customer but what remains core to the growth of any goods offering is the product. With a service offering there is a lot of creativity involved due to the characteristics imposed on it. If they concentrate too much on the intangible offering the core strength of the product might suffer, this entails other issues such as quality, time bound. Satisfying the needs of the consumer involves practicality which has to be in line with the business strategy and product characteristics.

Looking at the Lush example, it can be stated that products form a major proportion for their success. Their product and service innovations both have helped them to succeed. Therefore, it cannot be ruled out that product will have no offering to make in the future and the importance of intangible element is increasing so as to make product and service at the same level.

RECOMMENDATIONS:

1. Technological innovations, for instance engines, cars etc. should involve substantial differentiation keeping in mind the consumer rather than its contribution to the industry or combating competition.
2. Individual goods and service functionalities are different. In implementation of strategies both should work hand-in-hand rather than one increasing the value of other. Also, such augmentations should be directed towards satisfying the end-user as within a market segment there are various other end-user segments. For instance, General Motors differentiates from Ford by providing color choices to its customer. In IT this could relate to customization of security software to serve the needs of specific business.
3. Developing of market chains that enable increase in value at each and every stage of making the product available to the final consumer. Also, combining specific attributes to provide a better functionality should be the key of hybrid offering.
4. Consumer involvement is the key to better hybrid offerings in the sense of incorporating it in the thinking process from product generation to its implementation. The consumer should be thought of as a resource rather than a target. This implies a sense of co-creation and helps in achieving the goal of value creation as well as its enhancement.
5. Aligning firm's organization structure with its strategy. When a firm's revenue is largely dominated by services, it is important to concentrate more on the business units or departments which are in direct correlation with the consumer. By aligning structure with strategy, firms will have better opportunities to maximize growth and performance.
6. Firms have access to a lot of customer data bases these days. The tactic is optimum and effective utilization of such data. This can be done by recognizing the data, developing skills for appropriate usage of the data, segregating it with respect to the firm's products and business structure. This can be used for effective service delivery.
7. Firms must develop their abilities in terms of understanding the visual aspects of their tangible offerings and to enhance the service offerings to adapt to changing customer needs.
8. If both goods and services have to create a niche they will have to work together in terms of making their core strengths better. The only thing common between goods and services is providing utilities and adding value to the consumer buying experience.

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