

SERVICES MARKETING

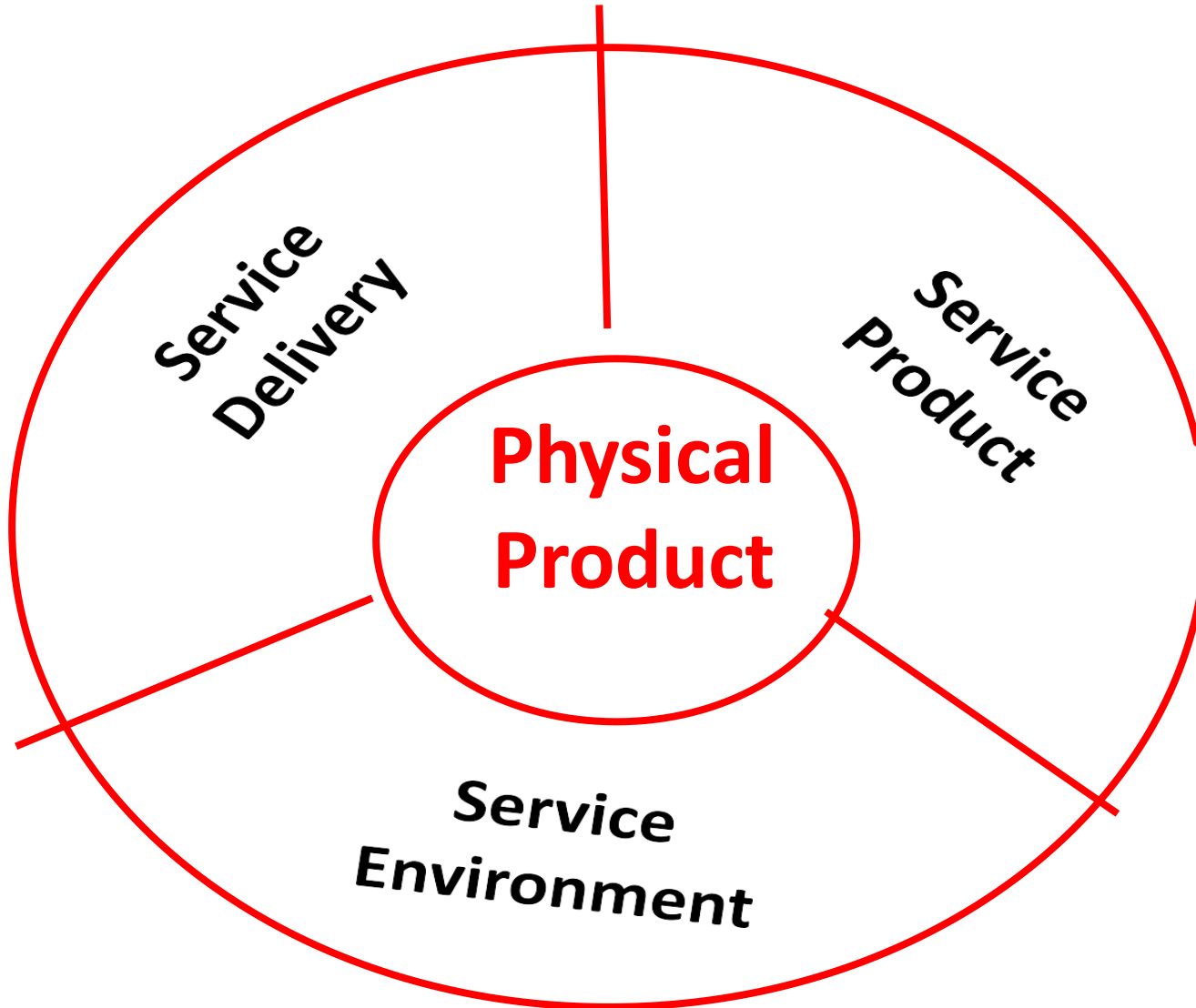
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SERVICES

“Services are activities, benefits or satisfaction which are offered for sale or provided in connection with sale of goods”. - **The American Marketing Association**

“Services are those separately identifiable essentially intangible activities, which provide want satisfaction when marketed to consumers and/or industrial uses and which are not necessarily tied to the sale of a product or another service”. - **Stanton**

COMPONENTS OF SERVICE



1. The Physical Product

The various products marketed by a firm involve the physical transfer of ownership of those products. They are tangible and their quality is standardised.

For Example, physical products include T.V., Radio, Refrigerators, Computers, Hair oil, Vacuum Cleaner, Washing Machine, etc.

2. Service Product

A service is an activity or benefit that one party can offer to another which is essentially intangible in nature. Service involve some interaction with customers without effecting transfer of ownership. For example, people visiting exhibitions, trade fairs are allowed to inspect the consumer durables without being approached by sales representatives. Salesmen are trained in making proper approach to the customer visiting their showrooms.

3. Service Environment

The potential customers form an impression about the service on the basis of service environment. The service environment represents the physical backdrop that surrounds the service.

For example, providing hygienic food is the core service in a hotel or restaurant. Customers expect the restaurants to be maintained clean, offer flexible dining hours prompt service, soft music, décor, exotic menu etc.

4. Service Delivery

The Service delivery is one of the important components of service. Service delivery is of great importance to the customer's overall perception about the quality of service. The service provider should give due consideration to the way service is rendered to customers. Services are created as they are consumed.

Nature of Service	Physical Product	Service Product	Service Environment	Service Delivery
University	<ul style="list-style-type: none"> Degree 	<ul style="list-style-type: none"> Courses Guidance Placement Employment 	<ul style="list-style-type: none"> Lecture halls Libraries Laboratories Language Lab Playground Canteen Hostels 	<ul style="list-style-type: none"> Teaching performance Tutorial system Counselling Placement
Super market	<ul style="list-style-type: none"> Goods 	<ul style="list-style-type: none"> Display Assortment Assistance Credit Inventory 	<ul style="list-style-type: none"> Sales Floor Racks 	<ul style="list-style-type: none"> Speed Friendliness Market Information
Hotels	<ul style="list-style-type: none"> Stay Food 	<ul style="list-style-type: none"> Bill Settlement Messages Wake-up calls 	<ul style="list-style-type: none"> Looby Parking space Rooms Reception 	<ul style="list-style-type: none"> Laundry Transport arrangement Multi cuisines Room Service Room Cleaning
Couriers	<ul style="list-style-type: none"> Communication 	<ul style="list-style-type: none"> Service time Collection centres 	<ul style="list-style-type: none"> Waiting hall Sorting space Parcel Office 	<ul style="list-style-type: none"> Promptness in Delivery Billing section

CHARACTERISTICS OF SERVICES

1. Intangibility
2. Inseparability
3. Heterogeneity (Individuality or Variability)
4. Perishability
5. Ownership
6. Absence of Quantitative measurement

CLASSIFICATION OF SERVICES

1. Classification of Services by Adrian Payne

- (a) Communications and information services
- (b) Public utilities, government and defence
- (c) Health care
- (d) Business, Professional and Personal Services
- (f) Recreational and hospitality services
- (g) Education; and
- (i) Other non-profit organisations

CLASSIFICATION OF SERVICES

2. Classification of Services by Christopher Lovelock

- *Nature of Service Act*
- *Type of relationship that the service organisation has with its customers*
- *Scope for Customisation and Judgement in Delivery System*
- *Nature of demand and supply for the service*

(a) Methods of Service Delivery

CLASSIFICATION OF SERVICES

1. Consumer Service:

- ❖ Food Services
- ❖ Hotels and Motels
- ❖ Personal care services
- ❖ Car services firms
- ❖ Entertainment services
- ❖ Transport services
- ❖ Communication Services
- ❖ Insurance services
- ❖ Financial services

2. Industrial Service:

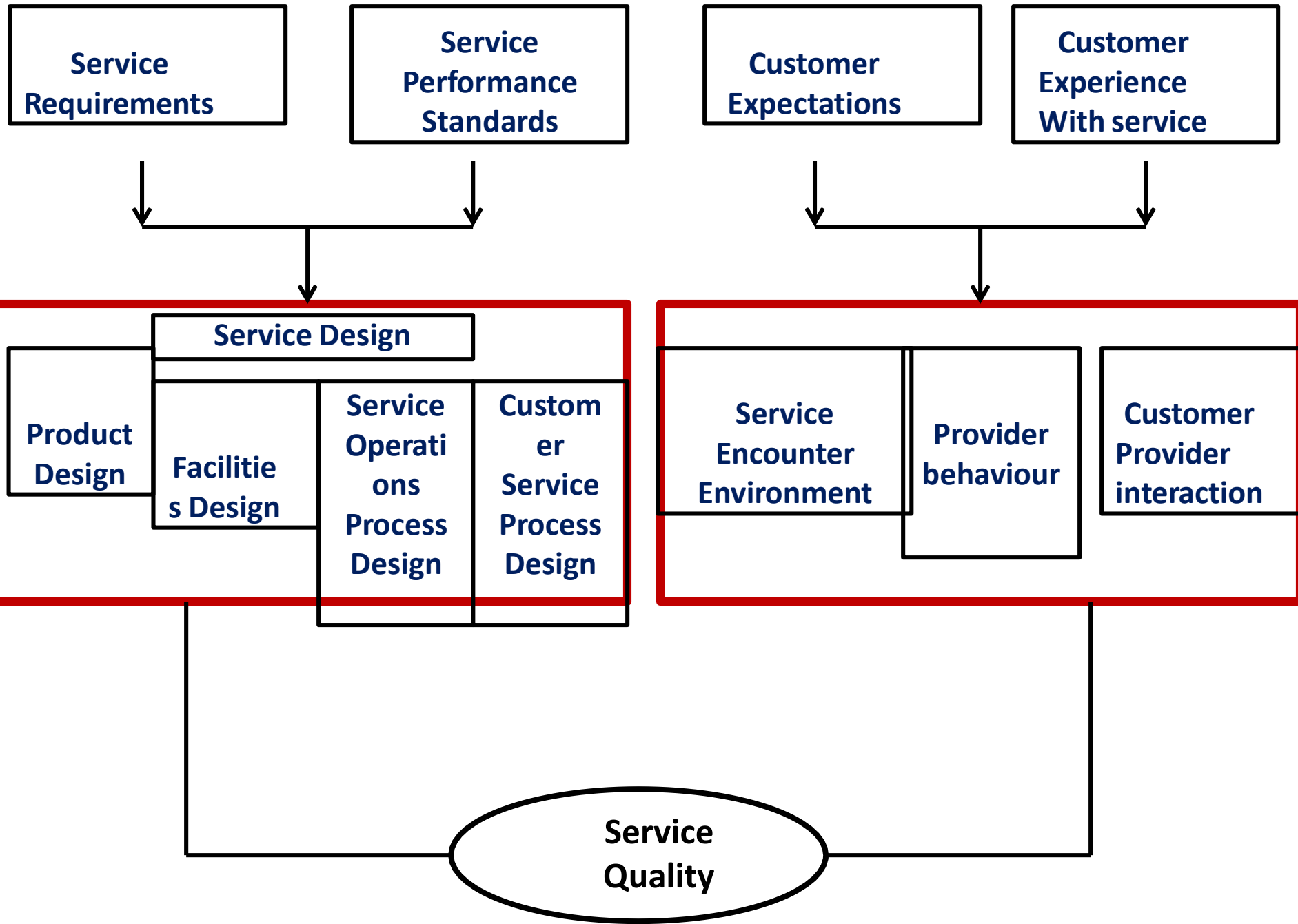
- ❖ Financial Services
- ❖ Insurance services
- ❖ Transport & warehousing
- ❖ Engineering services and
- ❖ Advertising
promotion services
- ❖ Office services,
- ❖ Management
consultancy
services.

CLASSIFICATION OF SERVICES – Philip Kotler

1. Pure Tangible Goods
2. Tangible Goods with accompanying services
3. Hybrid
4. Major service with accompanying minor goods and services
5. Pure service

SERVICES DESIGN

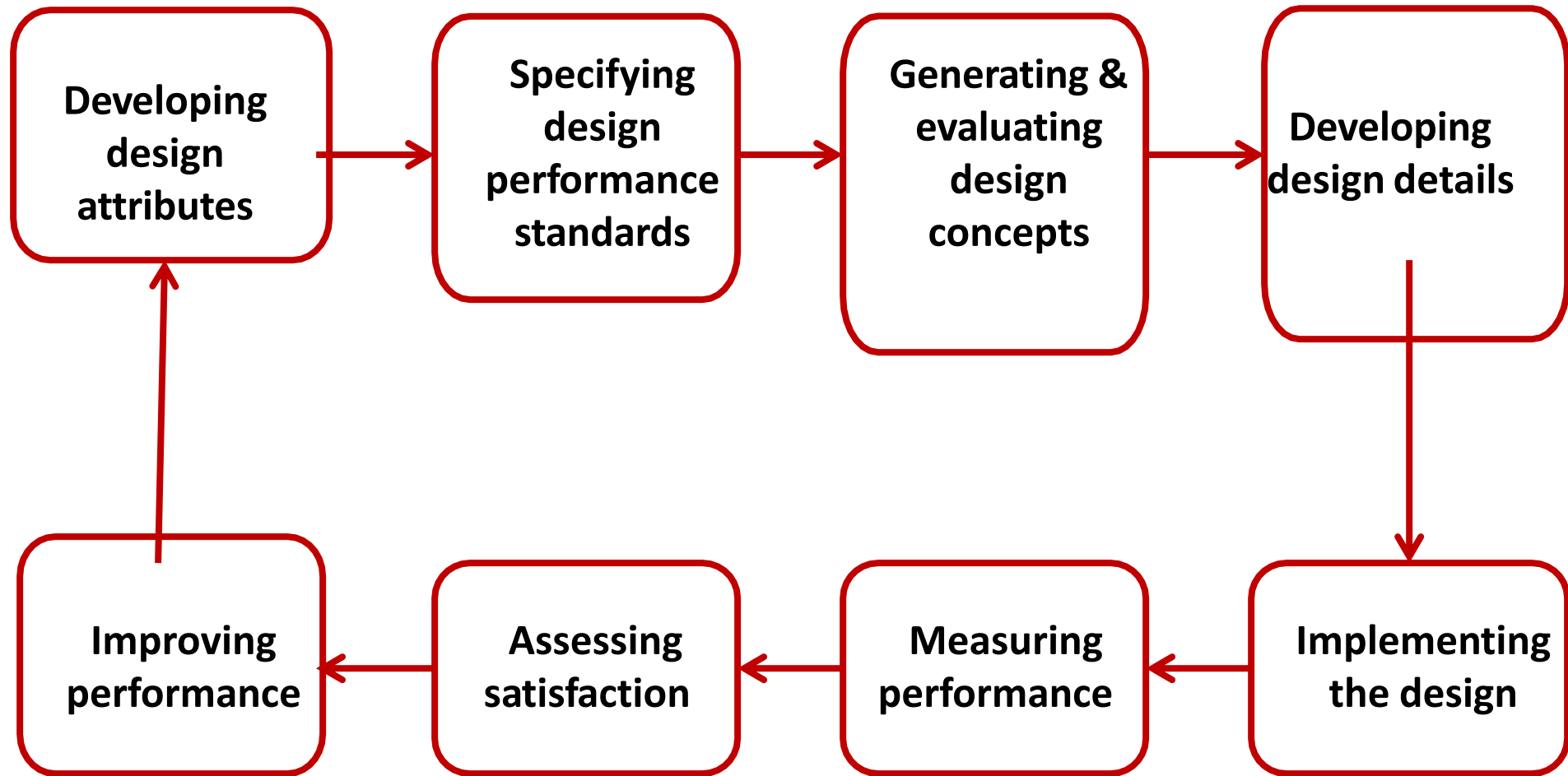
A service involves creation and delivery of core benefits in order to satisfy an identified need of the customer. As a process, it refers as to how a service is provided or delivered to a customer. In a competitive market, the importance of the actual process in service delivery has been recognised.



Factors Influence Designing Service Process

1. The Service Itself
2. Customer Participation in the process
3. Location of Service Delivery
4. Level of Customer Contact
5. Degree of Standardisation
6. Complexity of the service

Mgt model for Service Design / Stages / Process



BLUEPRINTING

A service blueprint is a flow chart of the service process. It conveys the service concept by showing all the elements or activities and their sequencing and interaction. It is pictorial description of the service system showing the service at an overview level. It explains how each job or department functions in relationship to the service as a whole. Blueprinting was developed by Shostak in 1987.

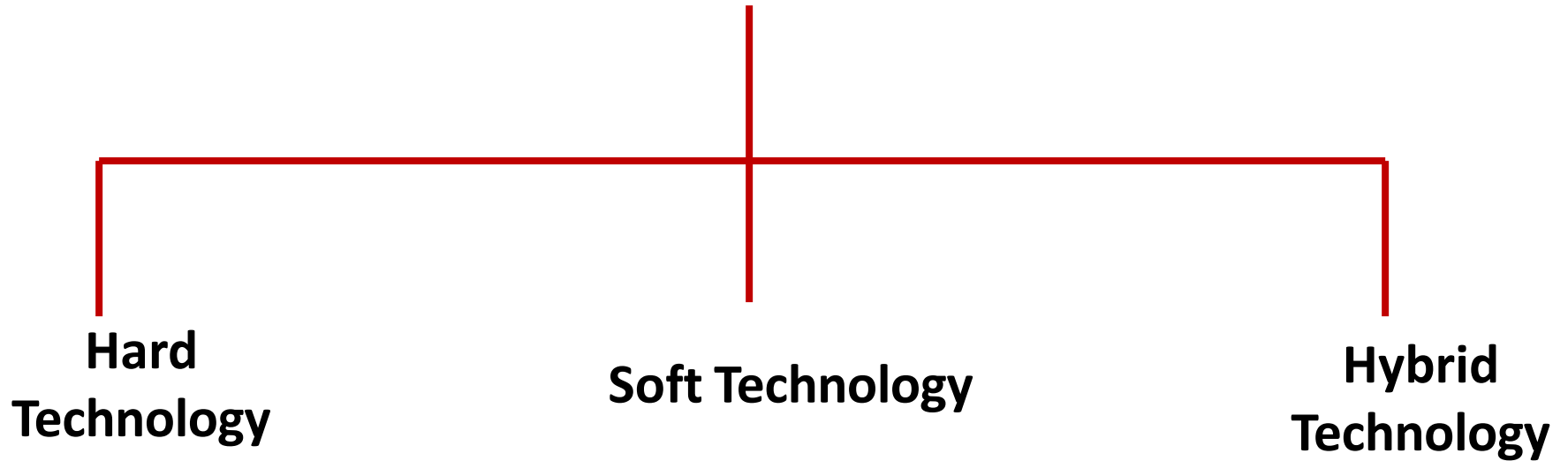
STAGES IN PREPARATION OF BLUEPRINTING

1. Put the service in the form of its molecular structure
2. Divide the process into logical steps
3. Recognise the variability in the process
4. Identify the backstage actions in the process

Technology & Service Productivity

Service organisations can improve their productivity by introducing systems and technology in their operations. Under the systems approach to services marketing technology, engineering and management sciences are implemented into service industries. The systems approach looks at the task as a whole. The systems approach identifies the key operations to be performed, devises new ways of performing each operation, eliminates superfluous practices through new methods and improves the coordination of processes within the system.

Application of technology to service Activities



1. Hard Technology

Hard technologies substitute machinery, tools and other engineering devices for labour intensive performance of service work. The following examples can be offered for the application of hard technologies in the service sector.

Example: Automatic car washes, airport x-ray

equipment, automatic car vending

equipment, audio

computers, the consumer credit card and bank balance checking machine.

2. Soft Technology

Soft technology means substituting pre-planned systems for individual service operations. Though the systems involve some technology, the basic characteristic is the system itself.

Example: Fast food restaurants such as MC Donald, Wendy, Pizza hut, Kentucky Fried Chicken follow rationale division of labour. Use of soft technologies in these organisations ensures the benefits in the forms of high quality, cost control, speed and efficiency, cleanliness and low prices.

3. Hybrid Technology

Hybrid technologies combine hardware with carefully engineered systems to bring greater efficiency, order and speed to the service process.

Example: The cost of energy can be substantially

saved by careful programming for types and grades of roads, location of stops, congestion of roads, toll road costs and mixing point access.

Role of Technology in Service process

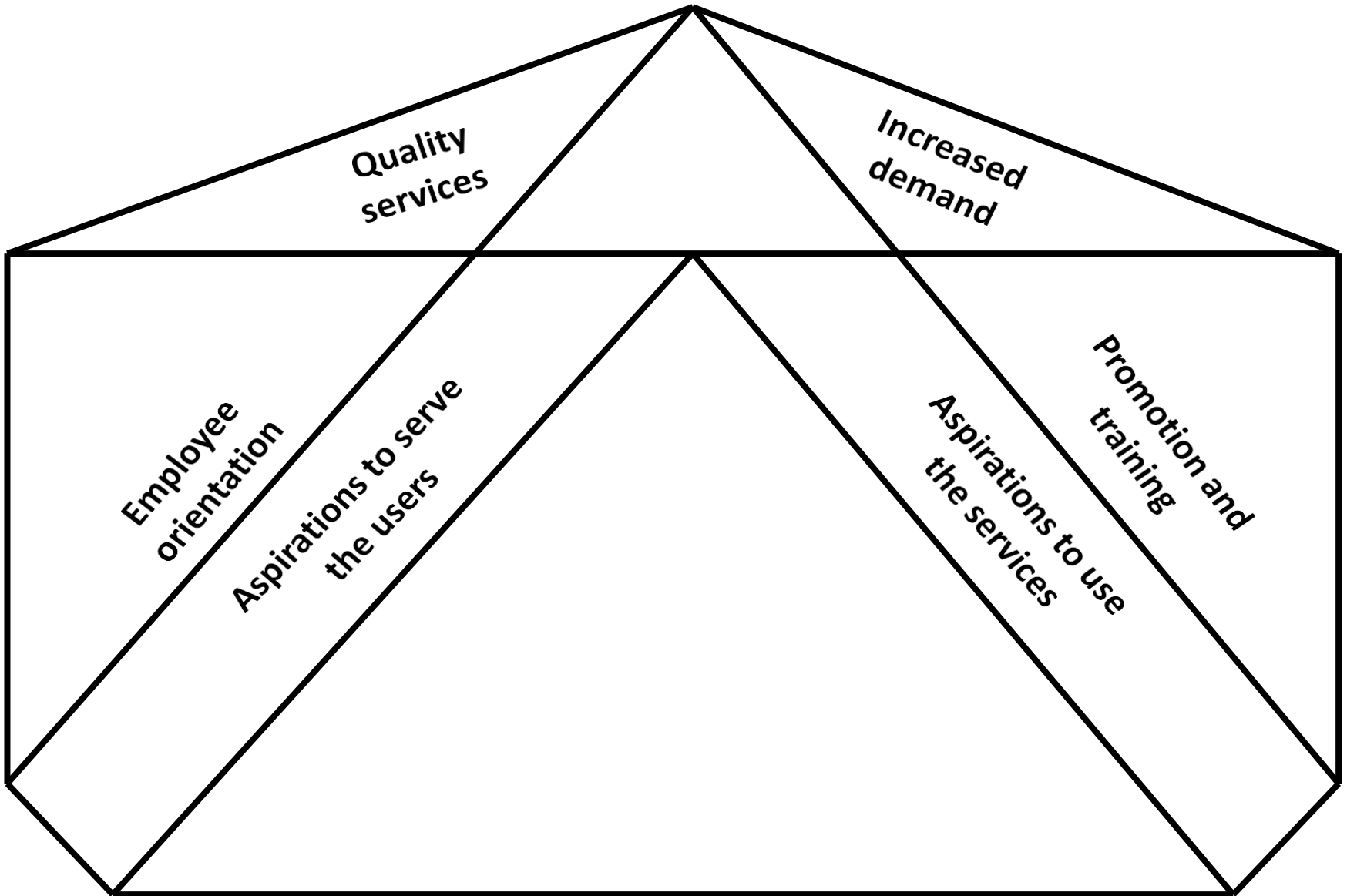
1. Easy accessibility of service
2. New ways to deliver service
3. Close link with customers
4. Higher level of service
5. Global reach of service
6. Cost Rationalisation

Building Service Aspirations

The service generating organisations building service aspirations in the process of generating demand for the services. The aspirations may be generated in two ways, namely, generating aspirations to serve the users and generating aspirations to use the services.

Service aspirations of organisation engaged in generating services focus on offering quality services. Quality is generally conceptualised as an attitude towards service.

Building Service Aspirations

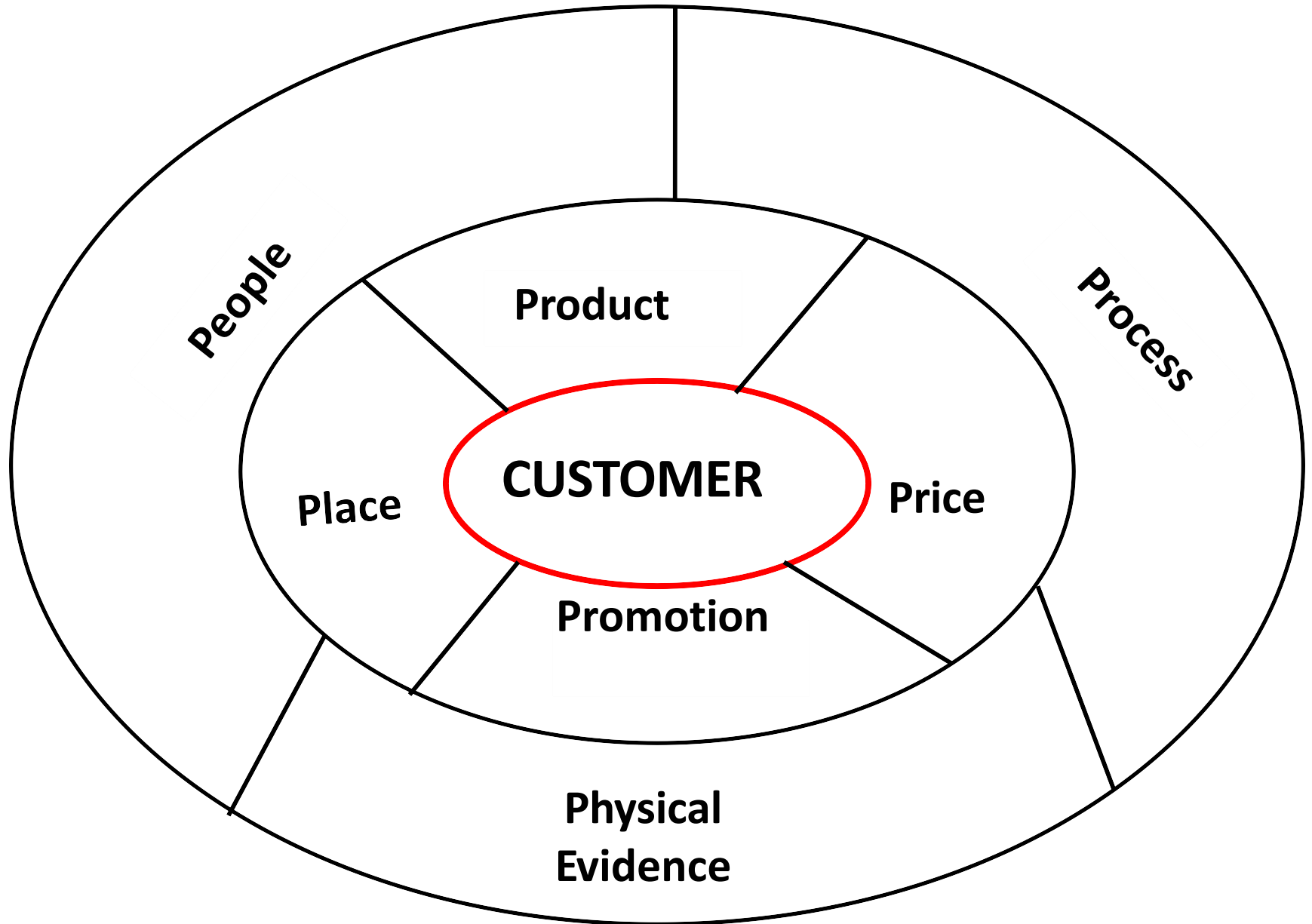


Service Marketing Mix

The traditional marketing mix is considered in the context of services. Since a different marketing mix is needed for services some have expanded the traditional four Ps.

1. Product
2. Pricing
3. Promotion
4. Place
5. People
6. Process
7. Physical evidence

Service Marketing Mix



Service Marketing Mix - Definition

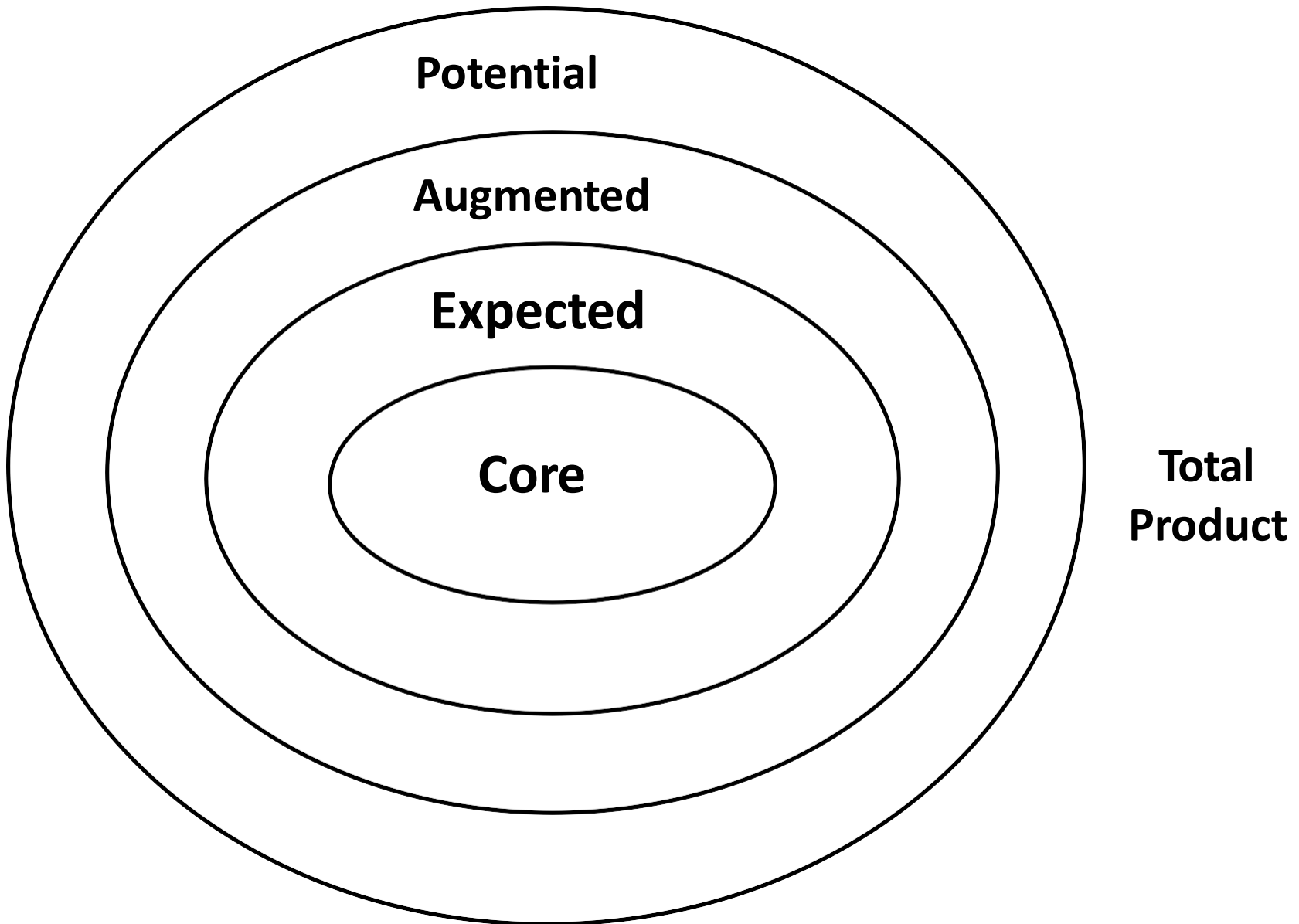
“The marketing mix concept is a well established tool used as a structure by marketers. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the company’s market. It is important internal elements or ingredients that make up an organisation’s marketing programme”.

– **Adrian Payne**

Product (Service Product)

According to Adrian Payne, a product is an overall concept of objects or processes which provide some values to customers. Goods and services are sub-categories of product. The term product is used in a broad sense to denote either a manufactured good or product and a service. Strictly speaking, customers are not buying goods or services but specific benefits and value from the total offering. This total offering to the customer is termed as “offer”.

Product (Service Product)



1. The core or generic product

The core product represents the basic services of a product. This product is at its basic level. For example, food served in a restaurant a bed in a hotel room for the night safety of deposits and loanable funds in a bank.

2. The expected product

The expected product consists of the core product together with the minimal purchase conditions which need to be met. For example in a restaurant in addition to basic food served, aspects such as cleanliness, timely service polite and courteous service of bearer, availability of menu and background music are expected.

3. The augmented product

Augmented product refers to offerings (product benefit or services in addition to what customers expect). This concept enables a product to be differentiated from another. For example, though IBM has not got technologically advanced core product they are praised for excellent customer service. This adds value to their core product in terms of reliability and responsiveness.

4. The Potential product

Potential product refers to doing everything potentially feasible to hold and attract the customers. The concept of potential product of a restaurant is viewed in terms of a pleasing flower arrangement, manager's word of thanks, readiness to go out of the way to serve, etc.

PRICE

Price plays a significant role in the marketing mix by attracting revenue to the marketer. Pricing decisions are important for determining the value of the service as perceived by the customer and building of an image for the service. Price serves as a basis for perception of quality. The pricing strategy should be in tune with the marketing strategy. Pricing strategy should gain competitive advantage for the firm.

PRICE Decisions - Reasons

1. Pricing decisions have an impact on marketing channels. Suppliers, sales people, distributors, competitors and customers all are affected by the pricing system.
2. Since services are intangible in nature, pricing of services is highly important. The price is indicative of the quality of service that customers receive. Customers, by going through the menu of a restaurant can perceive the quality of food and the restaurant's service level.

PRICE Decisions - Reasons

3. Pricing gives customers information about the immediacy of delivery and the importance of availability. Premium pricing is followed during maximum demand period and discounted pricing when the demand for the service is low.
4. Pricing allows homogeneous services to be differentiated and facilitates the adoption of a premium pricing strategy.

PRICING Objective

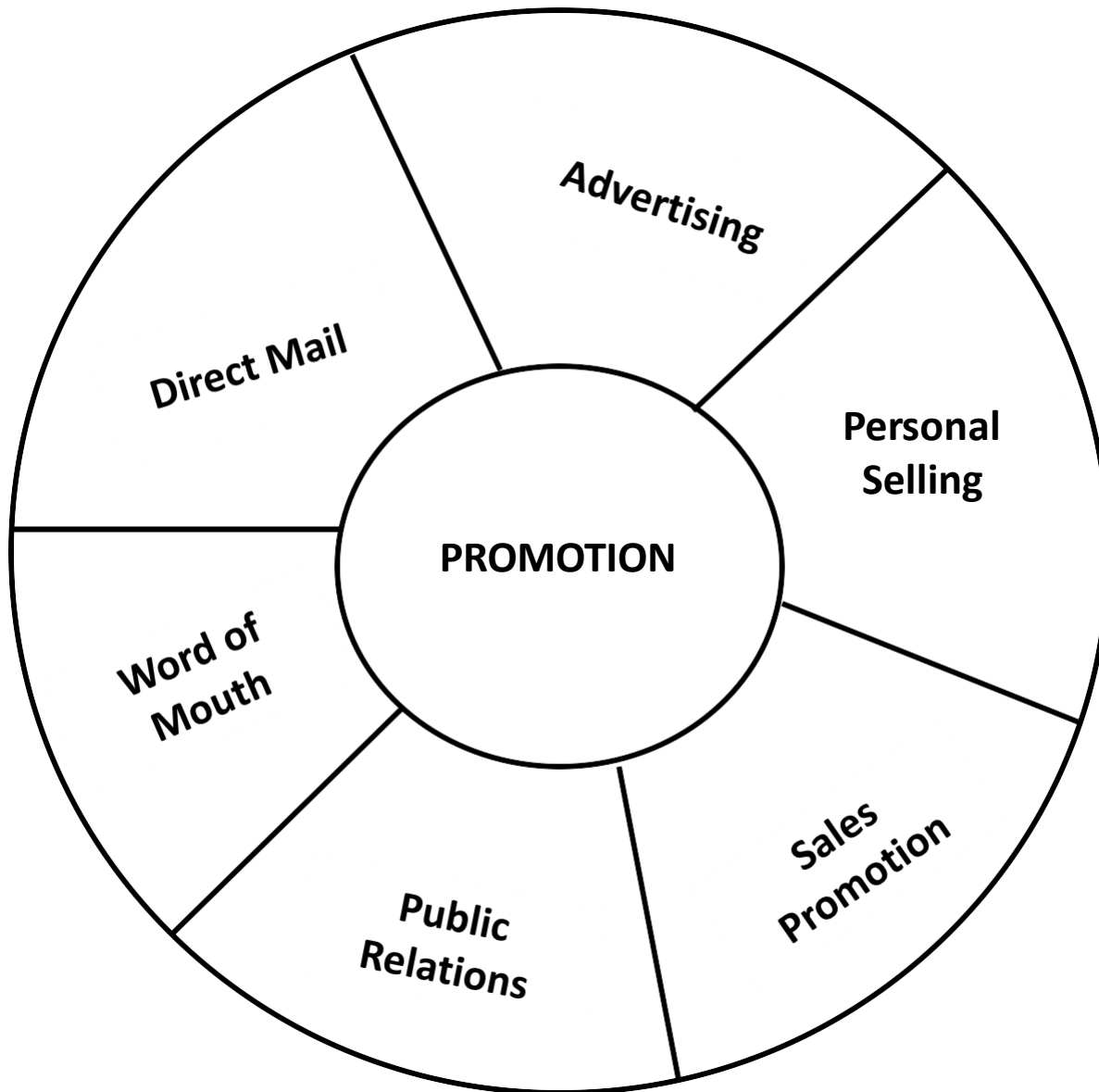
The price policies for service marketers should be on the lines of those used throughout the general field of marketing. The pricing policy to be followed should be based on pricing objectives. The important pricing objectives are survival, profit maximisation, sales maximisation, prestige and ROI.

In quoting prices, some firms try to meet competition. Where adverse market conditions prevail, marketers quote lower prices in order to ensure survival in the market, even foregoing profitability.

PROMOTION

Promotion is an important part of the marketing mix for many marketers. The promotion element of the service marketing mix communicates the positioning of the service to customers. Promotion adds tangibility and helps the customer evaluate the service offer. The promotion mix includes six elements, namely (a) Advertising (b) Personal Selling (c) Sales Promotion (d) Public Relations (e) Word of mouth and (f) Direct mail.

PROMOTION



(a) Advertising for services

Advertising is the impersonal communication used by service firms. Advertising in service marketing adds to the customer's knowledge of the service, persuades the customer to buy and differentiates the service from other service offerings. Persistent advertising is, therefore, a must for the success of the marketing of the service.

(b) Personal Selling

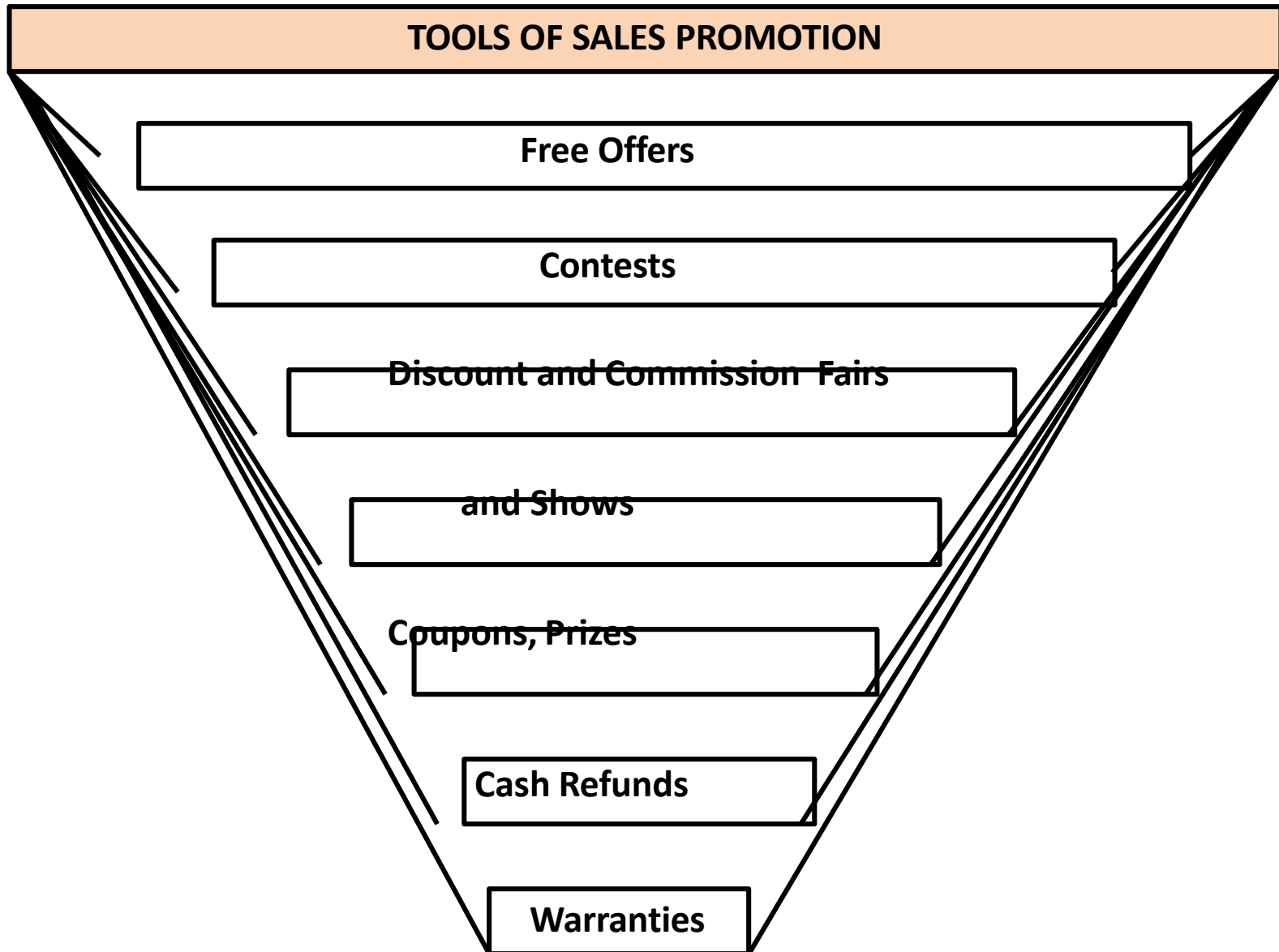
Personal Selling has assumed much importance in service firms owing to the following reasons.

- a) There is a personal interaction between the service provider and the customer
- b) The service is provided by a person not a machine.
- c) “People” are becoming part of the service product.

(c) Sales Promotion

Those marketing activities other than personal selling, advertising and publicity that stimulate customers and dealers effectively such as display shows, exhibitions, demonstrations and various non-recurrent selling efforts not in the ordinary routine are the sales promotional measures.

(c) Sales Promotion



(d) Publicity or Public Relations

Publicity consists of non-personal stimulation of demand for a product or service by way of arranging commercially significant news to have appeared in mass media free of cost (not paid for the sponsor). Publicity is a free news appearing in mass media about a company and its products.

(e) Word of Mouth Promotion

Customers who are already exposed to the delivery of a service, share their experiences with other potential customers. They offer advice on service providers and businesses who are established already. Personal recommendations through word constitute information source.

buying come from friends, associates colleagues or experts.

4. PLACE

Place mix of services marketing involves the location and channels which are the two key decision areas. The service provider should decide as to how to deliver the service to the customer and where this should take place. The service provider should ensure that the promised services reach the ultimate users without any distortion. With regard to location, a service firm decides where its operations and staff are situated.

5. PEOPLE

In all the organisations, people play a decisive role. Employees working in the service organisations are the contact people with the customers. Employees working in a bank, hotel, hair-cutting saloon etc., are all frontline people. They are in direct contact with the customers who visit their services. The role of these frontline people decides the success of the service organisation. A service organisation can be only as good as its people. The strength and success of the service organisation lies in the quality of the service personnel working in the organisation.

6. PHYSICAL EVIDENCE

Physical evidence is another important variable to be considered in the context of services marketing. Since a service is intangible, it is important for the client to search for evidences which enables him to evaluate the service. Physical evidences are those tangible clues which customers may receive during the process of receiving the service. The customers evaluate the worthiness of the service with the physical evidences they receive.

7. PROCESSES

The processes by which services are created and delivered to the customers are an important element of marketing mix. Customers perceive the delivery system as a part of the service itself. The decisions on process management are of great importance to the success of the marketing of the service. The processes involve the procedures, tasks, schedules, mechanisms, activities and routines by which a service is delivered to the customer.

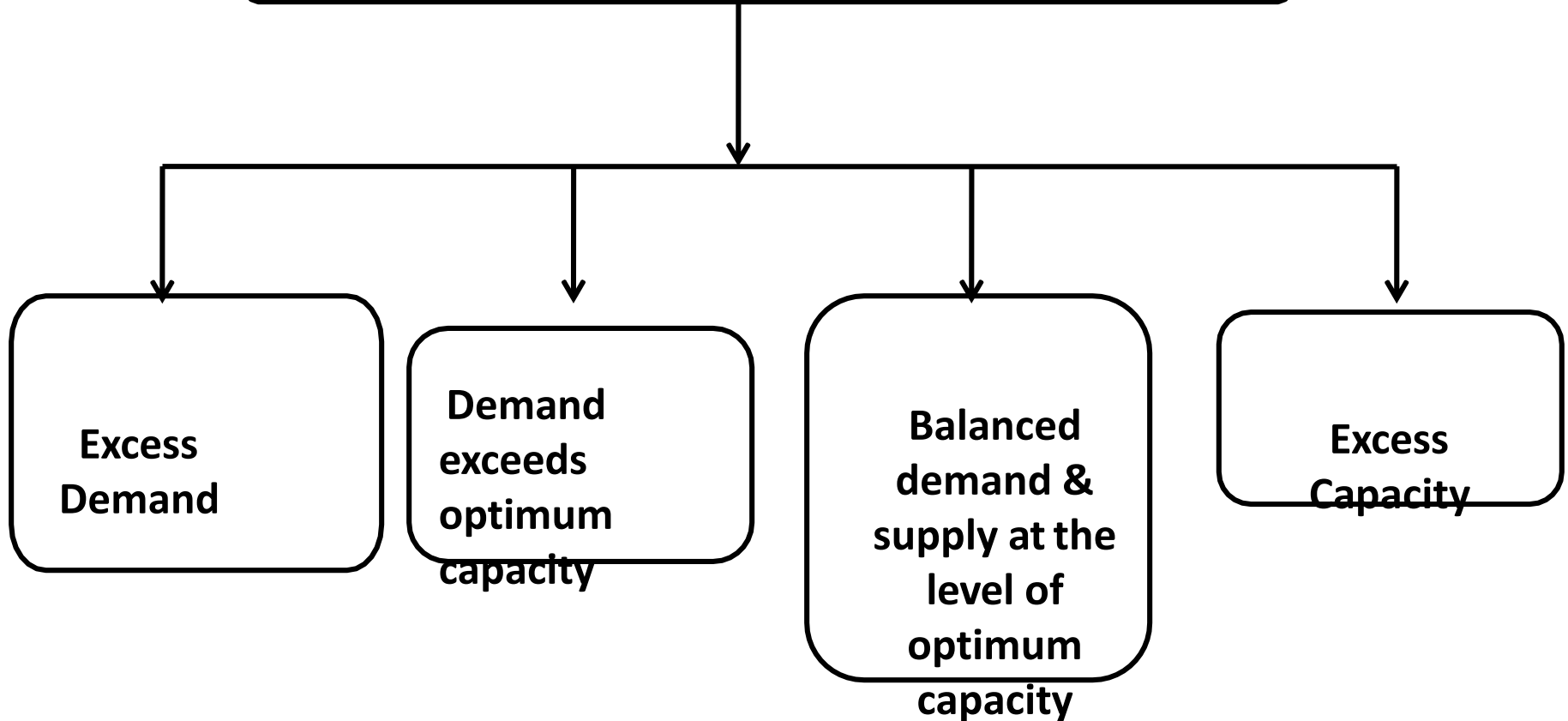
Managing Demand & Supply

Service marketers encounter challenges of matching supply and demand in a dynamic and consumption

transported from one place to another transferred from one person to another. So, service firms are not able to build inventories during periods of slow demand to use later when the demand increases.

Managing Demand & Supply

Outcome of lack of Inventory-Capability



1. Excess demand

Every service firm has a maximum capacity to serve customers. Maximum capacity represents the absolute limit of service availability. When demand for the service of a particular firm exceeds its maximum capacity, it results in undesirable consequences. First, the existing customers of the firm may cross over to the competitor, selling similar service. As a result, the service firm may *lose considerable business*. Second, in case of excess demand for services, the working hours of staff may be stretched.

2. Demand exceeds optimum capacity

Both optimum and maximum capacity may not be the same. At optimum capacity level, resources are fully employed but not over-used. As a result, customers will receive quality service on time. But when demand exceeds optimum capacity, the staff and facilities are stretched, resulting in poor service.

the level of optimum capacity

Optimum capacity refers to the efficient use of the capacity from the point of view of both the customers and the company. When demand and supply are balanced at the level of optimum capacity, staff and facilities are regarded to be occupied at an ideal level. No employee is over-stretched and facilities are maintained well. As a result, customers stand to benefit. Moreover, utilisation of optimum capacity gives a psychological satisfaction to customers too.

4. Excess capacity

Excess capacity means the demand is below the optimum capacity. Staff and facilities will be under-utilised. Under-utilisation of facilities like labour and equipment results in loss of profit to the firm. However, customers may prefer such a situation as they can avail full facilities at will. On the other hand, customers may be disappointed by low demand too in the long run. They may even worry that they have chosen an inferior service provider.

Strategies for Managing Demand & Supply

1. Understanding capacity constraints
2. Understanding demand patterns
3. Capacity planning
4. Managing capacity to match demand
5. Managing demand to match capacity
6. Strategies to be used when demand and capacity cannot be matched.

1. Understanding capacity constraints

- a. Time
- b. Labour
- c. Equipment
- d. Infrastructure

2. Understanding demand patterns

a. Charting Demand pattern

b. Predicting cycles

c. Identifying random demand fluctuations

d. Disaggregating demand pattern by market segment

3. Capacity Planning

Types of Capacity Planning:

- a. Long term capacity planning
- b. Short term capacity planning

4. Managing capacity to match demand

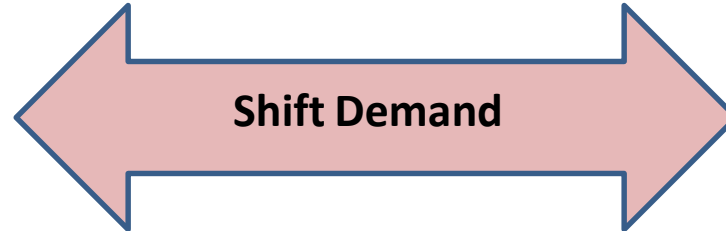
The strategic approach to matching supply and demand focuses on adjusting capacity. So, the service firm should build into its capacity some degree of flexibility. The extent of flexibility depends upon the type of service offered, cost, labour availability and other factors.

5. Managing demand to match capacity

This strategy involves shifting demand to match capacity when demand exceeds capacity. Then, the organisation tries to shift customers to periods of slow demand. This is just convincing the customers to use the service during periods of slow demand. So, people who cannot shift their demand represent lost business for the firm.

5. Managing demand to match capacity

Demand too high



Demand too low

- *Use signage to communicate busy days and times.*

- Offer incentives to customers for usage during non-peak times

- *Take care of loyal or regular customers first.*

- Advertise peak usage times and benefits of nonpeak use.

- *Charge full price for the service – no discounts.*

- Use sales and advertising to increase business from current market segments.

- *Modify the service offering to appeal to new market segments.*

- Offer discounts or price reductions.

- *Modify hours of operation*

- Bring the service to the customer

6. Strategies to follow when demand & capacity cannot be matched

Sometimes, it may not be possible for the service organisations to manage capacity to match demand or vice versa. For example, in a health clinic patients wait longer to be examined by the doctor during monsoon/inclement weather when more people catch 'flu'. The demand is flexible but the service capacity is inflexible and it is not economical for health clinics to add additional facilities or physician to handle peaks in demands.

Internal Marketing - Definition

“The means of applying the philosophy and marketing to people who serve the external customers so that:

- a) The best possible people can be employed and retained; and*
- b) They do the best possible work”.*

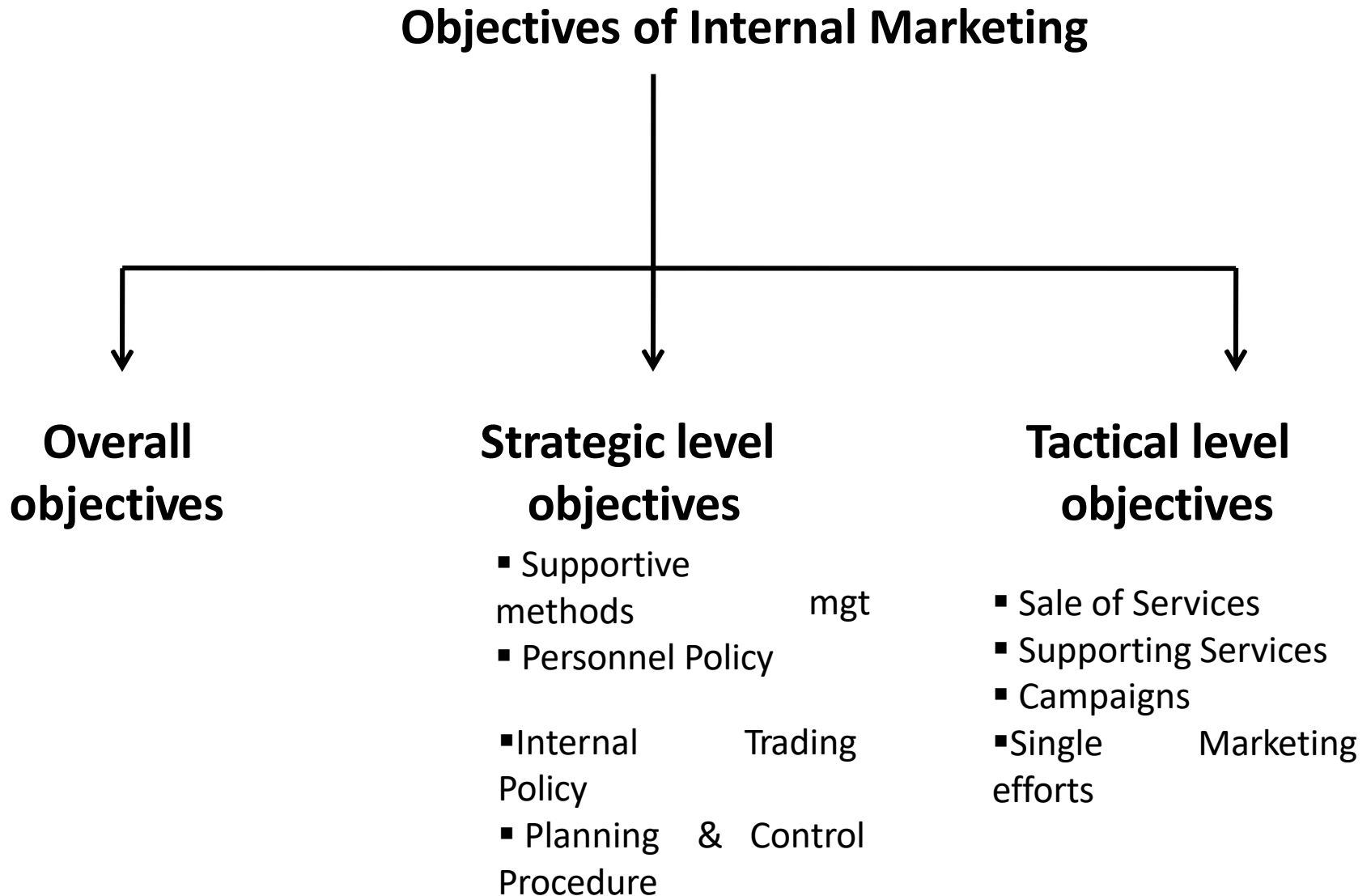
- Berry

Internal Marketing - Definition

“Treating with equal importance the needs of the internal market (the employees) and the external market (customers) through proactive programmes and planning to bring about organisational objective by delivering employee and customer satisfaction”.

-Helen Woodruffe

Objectives of Internal Marketing



Role of Internal Marketing

1. Internal marketing motivates the personnel to *work better and satisfy customers*.
2. Every employee needs information for his effective functioning in an organisation. Internal marketing builds a good communication network which *provides information to all employees* thereby supporting the service environment.
3. Internal marketing enables the service organisation to *gain additional market share*.
4. It signifies the role of every employee and *reduces conflict* between the functional areas of business.

Role of Internal Marketing

5. Customer service gets a *high priority* and the entire organisation focuses on a *customer-oriented approach*.
6. Internal marketing helps to develop committed personnel who can provide *best possible service to customers*.
7. Internal marketing *equips people with technical skill and knowledge* required for their effective functioning.
8. It *builds the corporate image* by creating awareness and appreciation of the company's aims and strength.

Components of Internal Marketing

1. Latest methods of training
2. Continuous interaction with the management
3. Internal Communication
4. Marketing research
5. Other human resource management activities

Steps in developing Internal Marketing

1. Market Definition
2. Market Research
3. Market Segmentation
4. Selection of Techniques
5. Marketing Communication
6. Marketing Orientation

External Marketing

External marketing is directed at those individuals and groups that buy goods and services from an organization. External marketing involves traditional marketing efforts such as market research, personal selling, advertising, direct mail, sales promotion, pricing and public relations. The organization makes promises which correspond with the personal needs and wishes

Internal & External Marketing

External Marketing	Internal Marketing
1. There is interaction between the organization and customers	There is interaction between the organization and its employees.
2. Customers influence the operations of the organization.	Management plays a crucial role in finalising tasks and directing employees.
3. Organisation makes promises to its customers.	Internal marketing enables the employees to fulfil the promises made during external marketing
4. Customers derive benefits from the service offering.	Employees derive benefits from compensation plan adopted by the company.
5. External Marketing aims at achieving customer satisfaction	Internal marketing increases job satisfaction among employees.
6. Market research is conducted on customer trends, competitors' strategy etc., in the market.	Feedback is obtained from employees. Training and appraisal of employees are suitably adopted.

Quality of Service

The quality of service (QOS) is crucial both to the customer and to the service firm. Service firms maintain competitive edge by rendering quality service. The concept of quality seems to refer to several diverse areas, namely, *quality of the output*, *quality of the process*, *quality of the delivery system* and *quality as a general philosophy* of the organization.

Quality of Service

The following are some important ways of judging quality of service:

- a. Fitness for purpose.*
- b. The totality of features of service that meet the customer needs.*
- c. The difference between customer expectations and performance delivery.*
- d. Meeting or exceeding the customer expectations.*

Dimensions of Quality of Service

Dimensions of Service Quality

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graph TD; A[Dimensions of Service Quality] --> B[Reliability]; A --> C[Responsiveness]; A --> D[Assurance]; A --> E[Empathy]; A --> F[Tangibles]
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Reliability

Responsiveness

Assurance

Empathy

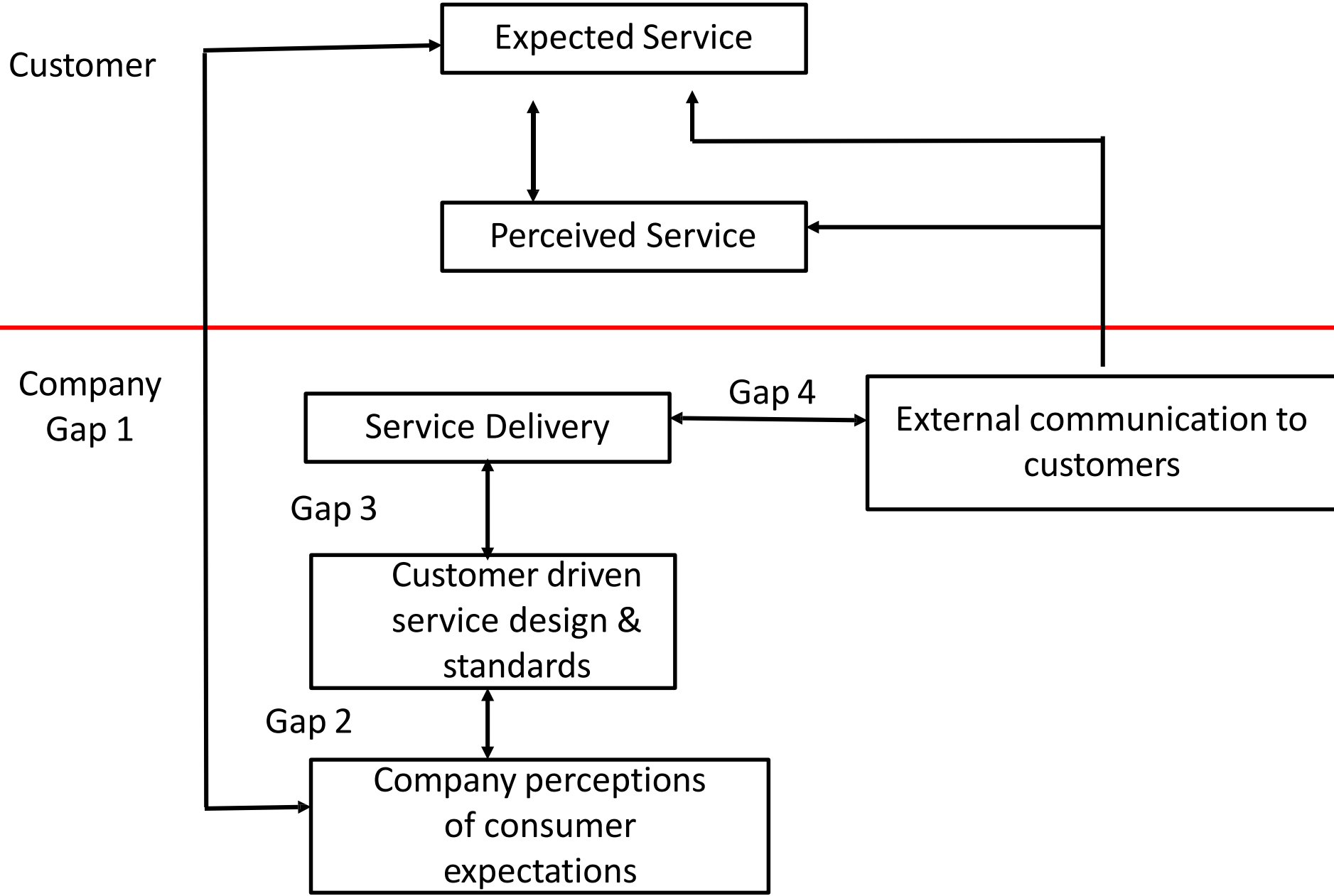
Tangibles

Gap Analysis

There is always bound to be a gap between the QOS which is expected and the QOS that is rendered. Customer service is based on perceptions. While one customer appreciates, the other may narrate it as harrowing experience.

Parasuram and **Berry** have developed a service quality model to indicate consumer quality perceptions. Viewing services in a structured, integrated way is called the gap model of QOS.

Gap model of Service Quality



Customer Expectations



Gap 1: Not knowing what customers expect

Gap 2: Not selecting the right service designs and standards

Gap 3: Not delivering to service standards

Gap 4: Not matching performance to promises



Customer Perceptions

Key factors leading to the customer gap

1. Provider Gap 1: Not knowing what customers expect

Customer Expectations

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graph TD; A[Customer Expectations] --> B[Inadequate marketing research orientation<br/>Insufficient marketing research Research not focused on service quality<br/>Inadequate use of marketing research<br/>Lack of upward communication<br/>Lack of interaction between management and customers<br/>Insufficient communication between contact employees and managers<br/>Too many layers between contact personnel and top management<br/>Insufficient relationship focus<br/>Lack of market segmentation<br/>Focus on transactions rather than relationships<br/>Focus on new customers rather than relationship customers<br/>Inadequate service recovery]; C[Company perceptions of customer expectations] --> B;
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Inadequate marketing research orientation

Insufficient marketing research Research not focused on service quality

Inadequate use of marketing research

Lack of upward communication

Lack of interaction between management and customers

Insufficient communication between contact employees and managers

Too many layers between contact personnel and top management

Insufficient relationship focus

Lack of market segmentation

Focus on transactions rather than relationships

Focus on new customers rather than relationship customers

Inadequate service recovery

Company perceptions of customer expectations

2. Provider gap 2: Not selecting the right service quality designs and standards

Customer driven service designs and standards



Poor Service design

Unsystematic new service development process

Vague, undefined service designs

Failure to connect service design to service positioning

Absence of customer defined standards

Lack of customer-defined standards

Absence of process management to focus on customer requirements

Absence of formal process for setting goals

Inappropriate physical evidence and scope for services



Company perceptions of customer expectations

3. Provider gap 3: Not delivering to service standards

Service delivery



Deficiencies in human resource policies

Ineffective recruitment Role ambiguity and role conflict

Poor employee-technology job fit Inappropriate evaluation and compensation systems

Lack of empowerment, perceived control and team work

Failure to match supply and demand Failure to align peaks and valleys of demand Inappropriate customer mix

Over reliance on price to smoothen demand

Customer's unfulfilling roles

Customer ignorance of roles and responsibilities Customer negatively affecting each other

Problems with service intermediaries

Channel conflict over objectives and performance Channel conflict over costs and rewards Difficulty in controlling quality and consistency

Tension between empowerment and control

Customer-driven service designs and standards

4. Provider gap 4: When promises do not match performance

Service delivery



Lack of integrated services marketing communication

Tendency to view each external communication as being independent

Not including interactive marketing in communication plans

Absence of strong internal marketing programme

Ineffective management of customer expectations

Not managing customer expectations through all forms of communication

Not adequate educating customers

Overpromising

Over-promising in advertising Over-promising in
personal selling

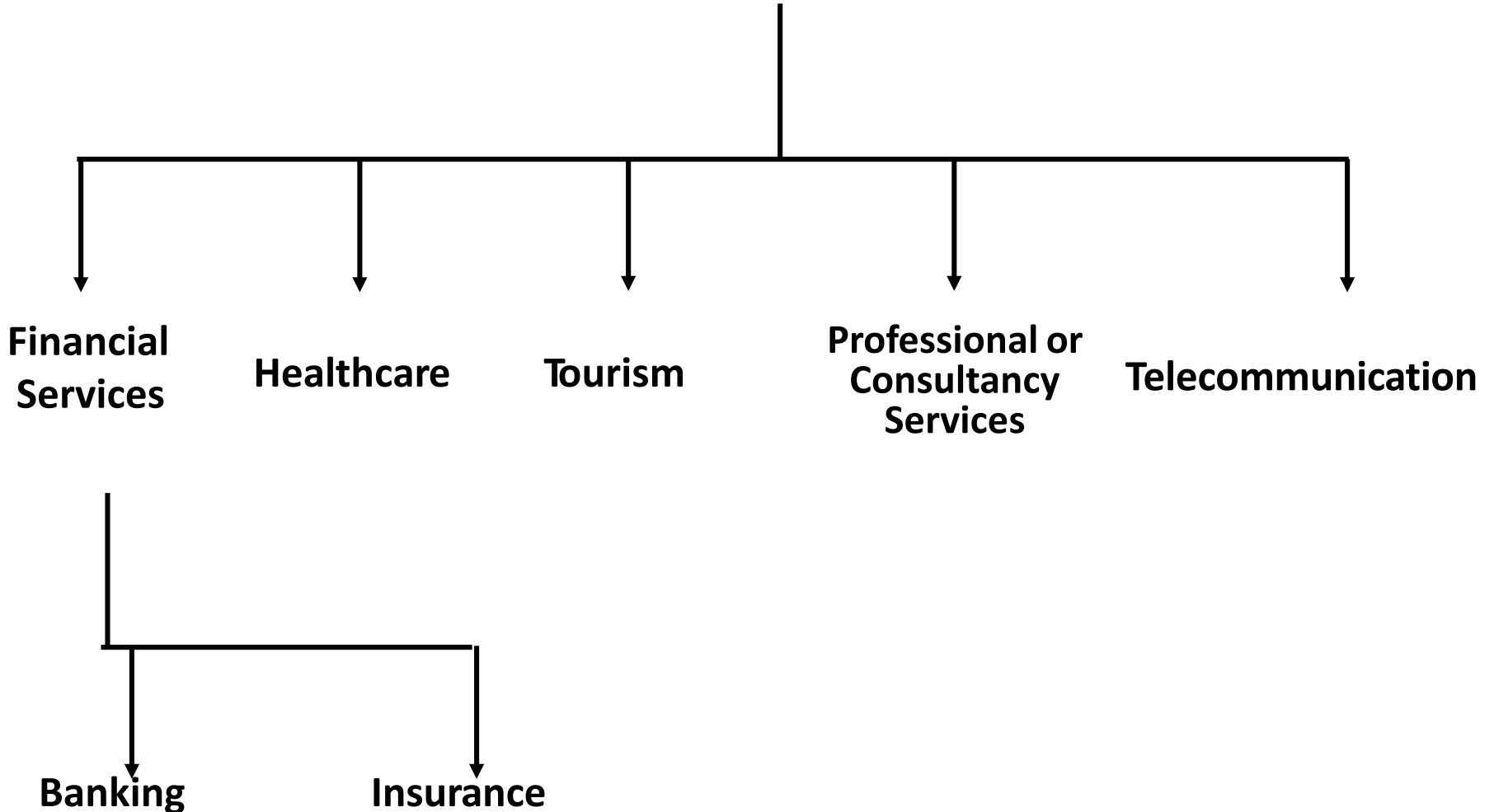
Over-promising through physical evidence cues

Inadequate horizontal communication

Insufficient communication
between advertising and operations Differences in policies and procedures across
branches or units

External communication to customers

Marketing of Services



Financial Services - Banking

The financial services such as banking and insurance are an inevitable part of an economy. This is the area which really needs to be strengthened. Financial services like banking and insurance require a focus on improving efficiency and *performance through operations and costs*. The financial system has improved in terms of number of financial instruments and the number of active participants in the market.

Characteristics of Financial Service

