

SERVICES MARKETING

I I M.COM.,

SYLLABUS-UNIT: 1:

Growth of the service sector – Nature and concept of service – classification of services – characteristics of services and their marketing implications – essential elements of marketing mix in service marketing.

Growth of Service Sector/Marketing (With Reasons):

Since 1960, services marketing has grown in importance and popularity not only in developed economies but also in developing economies. Numerous varieties of services are provided today by service organisations.

The main reasons are:

- (a) The consumers have more and more disposable income, i.e., more money to spend on services.
- (b) The consumers are willing to buy services which they are unable to perform or they are unwilling to perform.
- (c) The desire of the people to get more time for leisure is also responsible for their buying services in the services market.
- (d) Many business firms are willing to buy specialised services from service organisations instead of employing specialised service personnel in their firms. For instance, many business firms, instead of employing maintenance workers, are using the maintenance services offered by professional maintenance companies.
Similarly, many business firms, instead of employing professional experts in their firms, want to buy the services of professional experts like the management consultants, auditors, tax experts, lawyers, valuation experts, etc. This has contributed to the growth of many service firms.
- (e) Today, many services needed by consumers and business firms have become sophisticated and complex. The sophistication and complexity of present- day services has led to the need for the development of specialised service institutions offering specialised services.
- (f) Increasing affluence is one of the factors responsible for the growth of service industries, such as interior decoration, laundry, care of household products, care of gardens, etc.
- (g) Increasing affluence combined with increasing insecurity has led to the emergence of issue of credit cards by banks and other institutions.
- (h) Increasing number of products and complexity of products is responsible for the emergence of specialists to provide maintenance services for complex products like air-conditioners, cars, computers, etc.
- (i) Desire of the people to live longer is responsible for the growth of nursing home and health care services.
- (j) Higher percentage of women in the labour force is responsible for the growth of services like baby-sitting, household domestic help, etc.

(k) Resource scarcity is responsible for the growth of leasing services, time sharing services, etc.

Service – GLOBL SCENARIO:

There has been an immense contribution of the services sector particularly in the developed economies of the world. It has created a large number of employment opportunities in addition to providing for higher standard of living. In India, it has provided 60 percent of employment and 47 percent to GDP in 1998. Its contribution to GDP has risen to 48.8 percent in 2001.

Thus, the services sector contributes largely to the GDP of the national economy that in turn results into better investment avenues for the nation. The services sector has become predominant part in earning foreign exchange in the Indian economy and accordingly, there has been a reduction in the foreign exchange earnings of the merchandise export sector. There has been considerable increase in the foreign exchange earnings by the service sector in the Indian economy over the last ten years or so.

NATURE AND CONCEPT OF SERVICE MARKETING:

Nature of Service Marketing:

It evolves from its multidisciplinary coverage of activities.

It includes:

1. It is a dynamic process.
2. It is customer oriented.
3. It is creative.
4. It is intangible.
5. Transfer of ownership is not possible.
6. It is heterogeneous.
7. It has zero shelf life.
8. Services are production is inseparable.
9. It is perishable.
10. It is a social process.
11. It is an economic function.
12. It involves customer participation.

Role of Service Marketing:

The role of service marketing is as follows:

1. Reduced operating expenses.
2. Competitive differentiation.
3. Enhanced quality.
4. Enhanced efficiency.
5. Enhanced responsiveness.
6. Enhanced market Share.
7. Enhanced customer loyalty.
8. Enhanced Competition.
9. Manufacturing Support.

10. Makes Economic Sense.

CONCEPT:

MEANING-SERVICE MARKETING:

Service marketing is a specialised branch of marketing. Services marketing emerged as a separate field of study in the early 1980s, following the recognition that the unique characteristics of services required different strategies compared with the marketing of physical goods.

DEFINITION-SERVICE MARKETING:

The **American Marketing Association** defines “services marketing as an organisational function and a set of processes for identifying or creating, communicating, and delivering value to customers and for managing customer relationship in a way that benefit the organisation and stake-holders”.

CLASSIFICATION OF SERVICES AND THEIR IMPLICATIONS IN MARKETING:

Classifications of services are:

1. Classification Based on the Ultimate Users of Services:

On the basis of the ultimate users of services, services can be classified into two categories.

They are:

- (a) Services to final consumers – Services to final consumers are services which are provided to ultimate consumers. Examples of such services are recreation and entertainment services, tourism, hair-dressing and other personal care services, etc.
- (b) Services to business firms – Services to business firms refer to services rendered by a service organisation to business firms. Examples of these services are advertising, marketing research, maintenance and repairs, installation of plants and equipments, computer programming, consultancy, legal, accountancy, etc.

2. Classification Based on the Degree of Intangibility of Services:

On the basis of the degree of intangibility, services can be classified into two broad categories.

They are:

- (a) Low intangible content services or highly tangible services – Low intangibility content services are those services which have low intangibility content or which have high tangibility content. Examples of these services are fast food services, vending machines, etc.
- (b) High intangibility content services or highly intangible services – High intangibility content services refer to services which have high intangibility content or which are highly intangible. Examples of these services are consultancy services, legal services, baby-sitting, etc.

3. Classification Based on Service Options:

On the basis of service options, services can be classified into two categories.

They are: (a) Primarily people-based services – Primarily people-based services refer to services which are primarily people-based or labour intensive. Examples of these services are restaurant, insurance, medical services, etc.

(b) Primarily equipment – based services – Primarily equipment – based services refer to services which are primarily equipment – based and which involve low contact with people. Examples of these services are vending machines, automatic teller machine services in banks, cinema, etc.

4. Classification Based on Specialisation:

On the basis of the expertise, skill and specialisation of the service providers, services can be classified into two categories. **They are:**

(a) Professional services – Professional services refer to services rendered by skilled specialised professionals to business firms and ultimate consumers. Legal services, medical services, consultancy services, accountancy and auditing services, etc. are examples of professional services.

(b) Non-professional services – Non-professional services refer to services provided by non-professional persons. Baby-sitting, domestic help, etc. are examples of non-professional services.

5. Classification Based on Profit-Oriented:

On the basis of profit-orientation (i.e., profit motive), services can be classified into two categories. **They are:**

(a) Profit-Oriented Services – Profit-oriented services refer to services rendered primarily with profit motive. In other words, they are commercial services designed for profit. Examples of profit-oriented services are banking service, insurance service, hotel, restaurant and catering services, tour operation, airline service, etc.

(b) Non-profit-oriented services – Non-profit-oriented services refer to services rendered without any profit-orientation or profit motive. Examples of such services are educational services by Government, hospital services by Government, services of cultural organisations, services of welfare organisations, services of religious institutions, services of research foundations, etc.

6. Classification on the Basis of the Fact whether they are Primarily Directed at Public at Large or Primarily Directed at Individuals:

On the basis of the fact, whether the services are primarily directed at public at large or primarily directed at individuals, services can be classified into two categories. **They are:**

(a) Public services – Public services refer to services which are primarily directed at (i.e., provided to) public at large. Examples of public services are public utility services, transport services, insurance services, municipal services, etc.

(b) Private services – Private services refer to services which are primarily directed at individuals. In other words, they are services designed for and used by consumers as individuals. Examples of private services are personal care services, medical advice, etc.

7. Classification on the Basis of the Extent of Contact between the Service Provider and the Consumer:

On the basis of the extent of contact between the service provider and the consumer, services can be classified into two categories. **They are:**

(a) High contact services – High contact services refer to services in which the consumers or users have to spend more time with service providers to acquire or utilise the services. Examples of high contact services are medical services, personal care services, etc.

(b) Low contact services – Low contact services refer to services in which the consumers or users have to spend less time with the service providers to acquire or use the services. Examples of low contact services are internet services, hospitality, theatre performance, etc.

8. Classification on the Basis of Number of Delivery Outlets:

On the basis of the number of delivery outlets, services can be classified into two categories.

They are:

(a) Single or specific outlet services – Single or specific, outlet services refer to services which are provided to customers through a single outlet. In this case, the convenience of receiving the service is less. Examples of these services are theatre services, museum services, etc.

(b) Multiple outlet services – Multiple outlet services refer to services which are provided to consumers through many outlets. In this case, the convenience of receiving the services is more. Examples of these services are fast food service, bus service, etc.

9. Classification of Services as External and Internal:

Services can also be classified as:

(a) External services – External services refer to services provided by a service organisation to external or outside agencies. Examples of these services are installation services, distribution services, etc.

(b) Internal Services – Internal services refer to services provided by the service provider within the organisation. Examples of these services are internal transport, office cleaning, etc.

10. Classification on the Basis of the Presence of Customers and Employees:

On the basis of the presence of customers and employees, services can be classified into three categories. **They are:**

(a) Self-services – Self-services refer to services in which there will be the presence of only the customers. Examples of self-services are self-service restaurants, ATM banking service, etc.

(b) Inter-personal services – Inter-personal services refer to services in which there will be the presence of both customers and employees. Examples of these services are education, hotel services, entertainment services, etc.

(c) Remote Services – Remote services refer to services in which there will be the presence of only employees. Examples of such services are insurance services, etc.

CHARACTERISTICS AND FEATURES OF SERVICES:

1. Intangibility:

A physical product is visible and concrete. Services are intangible. The service cannot be touched or viewed, so it is difficult for clients to tell in advance what they will be getting. For example, banks promote the sale of credit cards by emphasizing the conveniences and advantages derived from possessing a credit card.

2. Inseparability:

Personal services cannot be separated from the individual. Services are created and consumed simultaneously. The service is being produced at the same time that the client is receiving it; for example, during an online search or a legal consultation. Dentist, musicians, dancers, etc. create and offer services at the same time.

3. Heterogeneity (or variability):

Services involve people, and people are all different. There is a strong possibility that the same enquiry would be answered slightly differently by different people (or even by the same person at different times). It is important to minimize the differences in performance (through training, standard setting and quality assurance). The quality of services offered by firms can never be standardized.

4. Perishability:

Services have a high degree of perishability. Unused capacity cannot be stored for future use. If services are not used today, it is lost forever. For example, spare seats in an aeroplane cannot be transferred to the next flight. Similarly, empty rooms in five-star hotels and credits not utilized are examples of services leading to economic losses. As services are activities performed for simultaneous consumption, they perish unless consumed.

5. Changing demand:

The demand for services has wide fluctuations and may be seasonal. Demand for tourism is seasonal, other services such as demand for public transport, cricket field and golf courses have fluctuations in demand.

6. Pricing of services:

Quality of services cannot be standardized. The pricing of services are usually determined on the basis of demand and competition. For example, room rents in tourist spots fluctuate as per demand and season and many of the service providers give off-season discounts.

7. Direct channel:

Usually, services are directly provided to the customer. The customer goes directly to the service provider to get services such as bank, hotel, doctor, and so on. A wider market is reached through franchising such as McDonald's and Monginis.

TYPES OF SERVICES:

The kinds of services that we come across in the economy. There are basically three types of classification of services.

- Banking and E-Banking

- Insurance
- Life Insurance, Fire Insurance and Marine Insurance
- Communication Services, Transportation and Warehousing

1] Business Services:

The first type of service is business services. The most basic definition would be services that support the daily functioning and activity of any business but is not a commodity. Take for example IT services. In this day and age, every business will require technological setup. The people who provide IT support to a business are providing a service in exchange for consideration.

There are other similar services that any business enterprise may require for the smooth functioning and management of its activities. Some such services are Banking, warehousing, insurance, communication, transport etc.

2] Personal Services:

Personal services are commercial activities that are provided to individuals according to their individualistic needs. The service here is extremely personalised to the customer. So there can be no uniformity in the services. The service provider will alter his service according to the personal needs of each customer.

3] Social Services:

Social services are essential public services. They are provided by the government or other such non-profit organisations. These services aim to achieve social equality in the society by providing the backward sections with the help they need. The service is not provided for a profit motive but as a social cause. Social services include services in the sector of education, sanitation, medical facilities, housing etc.

ESSENTIAL ELEMENTS OF MARKETING MIX IN SERVICE MARKETING:

It is to be reiterated that the marketing concept is equally applicable to goods, services and ideas. Thus, service marketers, like goods marketers, must strive to provide a bundle of benefits that satisfies the needs of consumers.

Theodore Levitt's concept of 'Marketing Myopia' is found to have influenced in preventing the adoption of marketing planning in its full perspective in the area of marketing of services. For instance, the activities of a film studio are often described as – "making movies" instead of "marketing entertainment".

In developing a service marketing strategy many firms were seen to consider the following seven areas:

- Marketing should occur at all levels, from the marketing department to the point where the service is provided.
- Wherever possible, establish direct contact with the customers.
- Use only high-quality personnel for marketing job.
- Creation or loyalty among existing customers.

- v. Ensure quick resolving of problems faced by customers.
- vi. Provision of improved services at lower cost.
- vii. Brand the services offered.

1. Service Mix:

Goods can be defined in terms of their physical attributes, but services cannot be because they are intangible. But there are also tangibles (such as – facilities, communications) associated with a service. These tangible elements help form a part of the product and are often the only aspect of a service that can be viewed prior to purchase, which is why marketers must pay close attention to associated tangibles and make sure that they are consistent with the selected image of the service product.

All other components of product mix are relevant here also. However, a caution may be noted. The service product is often equated with the service provider; for example, the teller becomes the service of a bank or the beautician becomes the service a beauty parlour provides.

2. Price Mix:

Another difference between the sale of products and services lies in the techniques of pricing. It has been observed earlier that pricing a new product is one of the most important and puzzling marketing problems. This is more so in the case of services where pricing plays both an economic and a psychological role.

It is psychological because consumers rely on price as the sole indicator of service quality when other quality indicators are absent. In its economic role, price determines revenue and influences profits.

Pricing of services can also help smooth fluctuations of demand. Given the perishability of service products, this is an important function. A higher price may be used to reduce demand during peak periods, and a lower price may be used to stimulate demand during slack periods. For example, if a room in a hotel is not rented out or if there are vacant seats in a bus, the potential income is lost permanently. The concessional charge allowed for telephone calls in the night proves the stimulation of demand during off peak period.

3. Physical Distribution Mix:

Distribution for services is usually simpler and more direct than channels of distribution for goods. This is due to the intangibility of services. The marketer of services is often less concerned with storage, transportation and inventory control, and shorter channels of distribution are typically employed.

Further, the element of inseparability (i.e., services cannot be separated from producers) has created a feeling that direct sale alone is possible in the matter of sale of services. This is, however, not completely true. It is quite common to recognise some middlemen in certain areas.

The following kinds of middlemen are found in the channel of distribution of services:

- i. Agents – For example, Travel agents, Employment agencies, Insurance agents. These agents are at par with agent middlemen who do not take a title.

ii. Wholesalers and Retailers – The actual service may not be easily transferable as the products could be transferred. Still, tangible representations of the services are transferable, for example, the transfer of shares. This type of channel is often found in cases where a contract exists as a tangible representation of the service.

Some service firms may market on a wholesale basis. For example, many transporting agencies undertake to transport goods although they do not own any vehicle. The consumer actually has no contract with the firm that actually produces the services, namely the transport company. These transport agents are actually wholesalers or retailers working on a fixed commission from the fleet owner.

4. Promotion Mix:

Promotion mix is definitely an important aspect of the marketing mix for services. For instance, the advertising of services is somewhat challenging because they are tangible-dominant products. The intangibility makes it difficult to use different media of advertising.

Service advertising should thus emphasise tangible cases that will help consumers understand and evaluate the service. The cues maybe the physical facilities in which the service is performed or some relevant tangible object that symbolises the services itself. For example, hotels may stress their physical facilities — clean, hygienic room facilities, etc.

Personal selling is potentially powerful in services because this form of promotion lets consumers and sales people interact. Customer contact personnel can be trained to use this opportunity to reduce customer uncertainty, give reassurance, reduce dissonance, and promote the reputation of the organisation.

Sales promotions, such as contests, are feasible for service firms, but other types of promotions are more difficult to implement. For instance, a service can neither be displayed nor can it give free samples.

DIFFERENCE BETWEEN GOODS AND SERVICES:

Based on the nature and features of services, the following differences can be identified between goods which have greater tangible elements and services which have greater intangible elements.

1. Greater Intangibility:

Through services have many tangible components like airplanes for air services, uniform dealers for people serving in a hotel, and packaging for fast food in restaurant, there is an element of service which is intangible. Services are merely experiences which cannot be displayed like products on exhibition by sellers or markers. They cannot be carried by the customers as they carry physical products. They are intangible, they cannot be touched, they cannot be seen and they cannot be displayed like products.

2. Perishable Nature – Services are Essentially Perishable:

Services are perishable whereas goods are not so. Services cannot be carried over packed or transferred like goods. If seats are vacant in a theatre, or a plane service or bus service the revenue is lost forever. If doctors or lawyers fail to attend their clients, their revenue is lost

forever. But this is not so in the case of goods. Tangible goods not sold on any given day or after they are produced, they can be stored and sold after some time.

3. Variability:

Services are variable whereas products which are standardised are not so variable. Therefore, no two services rendered by the same person but at different times are uniform. Even the service rendered by a single individual at different times cannot be the same. But products provide uniformity and the same quality taste etc. For example or the Mysore Sandal soaps produced at different times possess the same quality in all respects as they are standardised whereas services of the same person or the same category of employees cannot be standardised.

4. Difficulty in Quality Control:

Many services are offered only at the point of sale and hence quality control or standardisation of service is very difficult to achieve. But it is very easy to control the quality of the products and their quality can be made uniform and standardised.

A related problem in this connection is the difficulty of the consumers in judging correctly the quality of the service provided by the service provider. For example, how does a consumer decide which lawyer is efficient or which doctor is very useful or which teacher is the best and so on.

5. Labour Intensity:

Labour intensity is more in services but it is not so in the case of goods. The labour intensive nature is more in the services of individuals and also in the case of service organisations and economies of scale cannot be enjoyed in the case of services. For example, the output of a lawyer or a doctor cannot be easily increased like the output of a product. This is so because the services are to be produced personally and tailored to the needs of each individual client.

6. Legal and Ethical Barriers:

There are some professional codes of ethics which prohibit professional practitioners from engaging in certain kinds of marketing and advertising activities. Peer pressures often limit the extent to which those professional service persons like doctors, dentists, attorneys etc. should develop their marketing programmes. For example, doctors are not permitted to undertake any type of advertising or marketing their expertise.

Similarly some state legislatures do not permit public utilities to advertise their services. However, the producers of goods are freely permitted to advertise their products in any way they like through various media of advertising and publicity.

7. Unpredictability of Demand:

It is easy to predict the nature of demand for tangible goods but it is very difficult to predict the nature of demand for services. Demand for some services can fluctuate strongly from time to time or from season to season. During the period of some epidemics, demand for certain kinds of services is most likely to rise. But demand for certain products like flowers,

coconuts, new clothing etc. may be estimated easily during the period of festivals like Diwali, Dussehra etc. but not at other times.

8. Difficulty for Entering Foreign Markets:

Demand for physical goods like automobiles, computers etc. can be easily estimated in foreign markets through various media of advertising but it is not possible to do so in the case of services because there are many barriers complicating the selling of services across the national boundaries.

9. Limited Applicability of Portfolio Theory:

It is very difficult to apply portfolio theory to the management of services whereas it is not so in the case of tangible goods. Without a portfolio of services, the life cycle concept bears very little relevance for many services. Further, it is also more elusive to establish appropriate growth strategies for service firms than for tangible goods firms.

10. Difficulties in Establishing Large Market Shares:

There are usually very few barriers for service industries to make an entry into the most physical markets. Therefore the competitors can quickly and easily enter service markets which keep any one firm from establishing a dominant market share. This fact is proved by the large number of successful fast food franchises. However the service firms are not able to experience economies of scale because of the negative effect on their services to acquire a large market share.

SERVICES MARKETING REQUIRES EXTENDED MARKETING MIX AND ITS IMPLICATIONS:

Services are different from tangible goods. They are-

- Intangible (have no fixed existence)
- Inseparable (Cannot be separated from its provider)
- Not stored (Cannot be stored in a warehouse or anytime before the actual performance)
- Perishable (Perishes as soon as the work is done)
- Heterogeneous (result in different experience to different users)

The service marketing mix is also different from marketing mix of tangible products. It isn't limited to the 4 ps. A service requires people to perform the tasks which becomes the 5th P. Physical evidence is the 6th P, and the process of the service is the 7th P of the service marketing mix.

1. Product:

A product is something which satisfies the needs and wants of the customer. It is the actual item which is held for sale in the market. Product mix constitutes the combination of all the services for sale in the market.

For example, the product mix of a saloon will be the combination haircut service, manicure and pedicure service, facial, shaving etc.

The life cycle of services is same as that of a product as it starts from the day it was first thought until the time it is finally removed from the market.

2. Price:

Price is the amount which the customer pays for the product. But unlike goods pricing, pricing of services are a bit different and a bit difficult. Price of a service include the actual costs of goods used (if any), process costs (labour costs + overheads) and profits.

Just like goods, businesses can decide from one of these practices for pricing

- Penetration Pricing (low price kept to capture market share)
- Skimming Pricing (high price initially then lowering of price)
- Competition Pricing (pricing at par of competition)

Pricing decides the position of the product among the competition.

3. Place:

Place mix is deciding where and how the services will be available to the customers at the right time and at the right place to result in maximum advantage to the business.

Unlike goods, services cannot be separated from its provider and are provided where its provider is. But the same services can be performed by different providers (E.g. different franchise of the same saloon provide same services).

4. Promotion:

A business has to convey about its offering and its USP to the customer. It is what keeps it alive in this competitive environment. The promotion mix decides the marketing communication techniques, strategies, and mediums used. The medium includes:

- Advertising
- Branding
- Personal Selling
- Sales Promotion
- Public Relations
- Direct Marketing, and
- Social Media Outreach

The extended P's of Services Mix:

5. People:

Services are inseparable from the provider. These providers form the people of the service marketing mix. For example, the chef in the restaurant, a banker in the bank, an air hostess in the flight, etc.

Companies spend much time in selecting and training their staff and every other person who represents the company to the customer.

6. Physical Evidence:

Services are intangible. But they are often provided along with many tangible elements. Physical evidence includes the environment/place where the service is provided and any tangible elements that facilitate the performance or communication of the service. It's the tangible part which is more or less complementary to the service. For example, a physical evidence mix of a premium saloon will include the staff's uniform, a good ambience created by playing nice music and spraying good room freshener, etc

7. Process:

The actual mechanism involved in delivering a service is the process. It's the route of the actual product from the provider to the user. For example, a bank has a definite process for its every operation (to deposit a cheque, to withdraw money, to change your address, etc.).

Since services are diverse, processes involved in carrying out those services are also diverse. Process can be involved in planning and/or in the execution. But it is always involved in carrying out a service.

Process results in uniformity. Hence process is an essential of the services marketing mix.

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