**UNIT 5: PROMOTION AND RECENT DEVELOPMENTS IN MARKETING**

Semester- II (UG)

Subject- Marketing Management

Topic-Services Marketing

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Lecture no-3

**Services marketing:**

***Definition of Services***

*According to****American Marketing Association****services are defined as “activities, benefits or satisfactions which are offered for sale or provided in connection with the sale of goods.”*

*According to****Philip Kotler****and****Bloom****services is defined as “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.”*

*An expanded marketing mix for services was proposed by Booms and Bitner (1981), consisting of the 4 traditional elements–product, price, place, and promotion and three additional elements–physical evidence, participants, and process. These additional variables beyond the traditional 4 P's distinguish ‘customer service’ for service firms from that of manufacturing firms.*

So, Service Marketing is the marketing of services through Value Creation.

**Features of Service Marketing**

1. Intangibility
2. Low Price Sensitivity
3. No Inventory
4. Value Creation Process

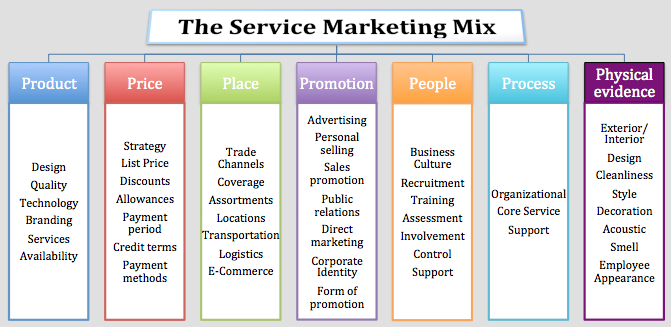
Firms must decide upon four service characteristics when designing marketing programmes.

**Service intangibility:**services cannot be seen, tasted, felt, heard or smelled before they are bought.

**Service inseparability:**service are produced and consumed at the same time and cannot be separated from their providers.

**Service variability:**the quality of services may greatly vary depending on who provides them and when, where and how.

**Service perishability**: services cannot be stored for later sale or use.



The **service profit chain** is the chain that links service firm profits with employee and customer satisfaction. This chain consists of five links: internal service quality, satisfied and productive service employees, greater service value, satisfied and loyal customers and ultimately healthy service profits and growth. Service marketing is more than traditional external marketing, it also consists of internal and interactive marketing. **Internal marketing**involves orienting and motivating customer contact employees and supporting service people to work as a team to provide customer satisfaction. **Interactive marketing** involves training services employees in the fine art of interacting with customers to satisfy their needs.

Service marketers need to manage service differentiation, making sure that they stand out amongst competitors. They also need to manage service quality, which can be harder to define than product quality. Lastly, they need to manage service productivity by ensuring employees are skilful and implementing the powers of technology.

**Designing and Managing Services:**

* Service industry is quite varied. It includes the govt. sector with its hospitals, police, post office, schools etc. The private non-profit sector with its colleges, hospitals, foundations is also in the service business. Business sector with its airlines, banks, hotels, insurance companies is also in service sector. Many workers in the manufacturing sector such as accountants, computer operators and legal staff are really service providers. In fact they make up the “service factory” providing services to the “goods factory”.
* A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Services are also popping up on the internet. A little surfing on the web will turn up virtual service providers.
* **Categories of Service Mix**

A company’s offerings to the marketplace can be classified as:

1. **Pure tangible good**: The offering consists primarily of a tangible good such as soap, toothpaste or salt. No services accompany the product.
2. **Tangible good with accompanying services:** The offering consists of a tangible good accompanied by one or more services. For e.g.: more technologically sophisticated the generic product (cars and computers) are more dependent for its sales on quality and availability of its accompanying customer services.
3. **Hybrid:** The offering consists of equal parts of goods and services. For e.g. Restaurants are recognized for both goods and services
4. **Major service with accompanying minor goods and services:** The offering consists of a major service along with additional services or supporting goods. For e.g. Airline passengers buy transportation service and also get food, drinks etc.
5. **Pure Service**: The offering consists primarily of a service. Examples include massage, baby sitting etc.

 Based on these distinctions following generalizations can be made:

1. Services vary as to whether they are equipment based (automated car washes) or people based (accounting services). People based services vary as to whether they are provided by unskilled , skilled or professional workers.
2. Some services require client’s presence (brain surgery) and some do not (car repair). If the client is present then service provider has to consider his needs as well.
3. Services differ as to whether they meet a personal need (personal services) or a business need (business services). Service providers develop different marketing programs for personal and business markets.
4. Service providers differ in their objectives (profit or non profit) and ownership(private or public). The marketing programs of a private investor hospital will differ from that of a private charity hospital.

**Characteristics of services & their marketing implications:**

Services have four major characteristics that greatly affect the design of marketing programs: intangibility, inseparability, variability and perishability.

* **Intangibility:**

Services are intangible. Unlike physical products they cannot be seen, tasted, felt, heard or smelled before they are bought. The person getting a face lift cannot see the exact results before the purchase and the patient in the psychiatrist’s office cannot know the exact outcome. To reduce uncertainty, buyers will look for signs or evidence of service quality. They will draw inferences from place, people, equipment, price etc that they see. Therefore the service provider’s task is to “manage the evidence”, to “tangibilize the intangible”. Suppose a bank wants to position itself as a “fast bank”. It could tangibilize this positioning strategy through a number of marketing tools:

* Place: The physical setting must connote quick service. The exterior and interior must have clean lines. The layout of desks and the traffic flow must be planned carefully.
* People: Personnel should be busy. There should be sufficient number of employee’s to share the workload.
* Equipment: computers, copying machines, desks should look “state of art”.
* Communication material: Printed materials- test and photos- should suggest efficiency and speed.
* Symbols: The name and symbols should suggest fast service.
* Price: The bank could advertise that it will deposit $5 in account of any customer who waits for 5 minutes. Service marketers must be able to transform intangible services into concrete benefits.
* **Inseparability**

Services are typically produced and consumed simultaneously. This is not true of physical goods which are manufactured, put into inventory, distributed through multiple resellers and consumed later. If a person renders the serviced, the provider is part of the service. Because the client is also present as the service is produced provider-client interaction is a special feature of services marketing. Both provider and client affect the outcome.

* **Variability**

Services are variable. Some surgeons are very successful in performing a certain operation; others are less successful.

Service buyers are aware of this variability and often talk to others before selecting a service provider. Service firms can take three steps towards quality control. **The first** is investing in good hiring and training procedures. Recruiting the right service employees and providing them with excellent training is crucial, regardless of whether employees are highly skilled professionals or low skilled workers. **The second** step is standardizing the service performance process throughout the organization. This is done by preparing service blueprint that depicts events and processes in a flowchart, with the objective of recognizing potential fail points. **The third step** is monitoring customer satisfaction through suggestion and complaint systems, customer surveys and comparison shopping.

* **Perishability**

Services cannot be stored. The perishability of services is not a problem when demand is steady. When demand fluctuates, service firms have problems. Earl Sasser has described several strategies for producing a better match between demand and supply in a service business.

**On the demand side:**

* **Differential pricing** like weekend discount prices for car rentals
* **Non peak demand** can be cultivated. McDonalds opened a breakfast services, hotels developed minivacation weekends.
* **Complementary services** can be developed during peak time to provide alternatives to waiting customers such as cocktail lounges in restaurants and automatic teller machines in banks.
* **Reservation systems** are a way to manage the demand levels. Airlines, hotels and physicians employ them extensively.

**On the supply side :**

* **Part time employees** can be hired to serve peak demand. Colleges have part time teachers when enrolment grows up.
* **Peak time efficiency** routines can be introduced. Employees perform only essential tasks during peak periods.
* **Increased consumer participation** can be encouraged. Consumers fill out their own medical records or bag their own groceries.
* **Shared services** can be developed. Several hospitals can share medical equipment purchases.
* **Facilities for future expansion** can be developed. Amusement parks buy surrounding land for future development.

**Marketing strategies for service firms :**

1. Until recently, service firms lagged behind manufacturing firms in their use of marketing. Many service businesses are small and do not use formal marketing or management techniques. There are also professionals service businesses (law and accounting firms)that formerly believed it was unprofessional to use marketing. Other service businesses had so much demand or so little competition (hospitals) that they saw no need for marketing. But this has now changed. Traditional four P’s marketing approaches work well for goods but additional elements require attention in service businesses. Booms and Bitner suggested **three additional P’s for service marketing : Process, people and physical evidence.**
2. Because most services are provided by people, the selection, training and motivation of employees can make a huge difference in customer satisfaction. Ideally employees must exhibit competence, a caring attitude, responsiveness, initiative, problem solving ability and goodwill. Service companies like Federal Express and Marriott trust their people enough to empower their front line personnel to spend up to $100 to resolve a customer problem. Companies also try to demonstrate their service quality through physical evidence and presentation. A hotel will develop a look and observable style of dealing with customers that carries out its intended customer value proposition whether it is cleanliness, speed or some other benefit. Finally service companies can choose between different processes to deliver their service. Restaurants have developed some different formats as cafeteria style, fast-food buffet, and candlelight service. Service encounters are affected by several elements. Customer when enters a bank for loan also sees interiors, equipment, furniture. The customer sees bank personnel and deals with the bank officer. All this is “visible” to the customer. Not visible is the whole backroom production process and organization system that supports the visible business. Thus the service outcome, and whether or not people will remain loyal to a service provider, is influenced by a host of variables . Gronroos has argued that

**Service marketing needs internal and interactive marketing also along with external marketing.**

* Internal marketing describes the work to train and motivate employees to serve customers well. Interactive marketing is the employees skills in serving the client. He should have the functional quality. External marketing describes the normal work to prepare, price, distribute, and promote the service to customers.

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