

**DEPARTMENT OF BUSINESS ADMINISTRATION**  
**GOVERNMENT ARTS COLLEGE(AUTONOMOUS), COIMBATORE 18.**

**SERVICES MARKETING**

**UNIT I**

Services Marketing – concepts-Features-Significance – Classification of services- services marketing triangle- Difference between goods and services.

**UNIT II**

Services Marketing Environment- PEST- Analyzing opportunities- Significance- Targeting-positioning – Developing service marketing mix-New Service Development Process

**UNIT III**

Strategies for managing capacity to match demand. Services marketing Mix – elements – 7P's- Service quality (SERVQUAL).

**UNIT IV**

Service product- Analysis of the service offer- Services planning- Factors affecting pricing decisions- Special issues of service pricing.

**UNIT V**

Promotion Mix for services- Place in service – Identifying and Evaluating major channel alternatives- Physical environment- Opportunity of services marketing- Reasons for growth of service sector-Constraints.

**Textbook:**

1. Chritian Gronroos : Service Management and Marketing
2. S.M.Jha : Services Marketing, marketing of services

**Reference Books:**

1. Philip Kotler - Marketing of non-profit Organisations
2. Helen Woodruffe - Services Marketing
3. Valarie A Zeithaml,et al - Service Marketing
4. Chritopher Love Lock - Service Marketing

## UNIT I

Subject Name	Subject Code	Semester	Prepared by
SERVICES MARKETING	18BBA45S	IV	Dr.S.Akilandeswari, Assistant Professor

### Definition of Service Marketing:

Service marketing is marketing based on relationship and value. It is used to market a service or a product. With the increasing prominence of services in the global economy, service marketing has emerged as a separate subject. Marketing services is different from marketing goods because of the unique characteristics of services namely, intangibility, heterogeneity, perishability and inseparability.

In most countries, services add more economic value than agriculture, raw materials and manufacturing combined. In developed economies, employment is dominated by service jobs and most new job growth comes from services.

Jobs range from high-paid professionals and technicians to minimum-wage positions. Service organizations range from huge global corporations to local small businesses. Most activities by the government agencies and non-profit organizations involves services.

The American Marketing Association, defines services as activities, benefits, or satisfactions that are offered for sale or provided with sale of goods to the customer, that is, pre-sale and after-sales services. Berry states, 'while a product is an object, devise or physical thing, a service is a deed, performance, or an effort'.

### 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.

### **Significance of Services Marketing**

**A key differentiator:** Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. Eg: In case of two fast food chains serving a similar product (Pizza Hut and Domino's), more than the product it is the service quality that distinguishes the two brands from each other. Hence, marketers can leverage on the service offering to differentiate themselves from the competition and attract consumers.

**Importance of relationships:** Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers' buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer and fulfill them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth.

**Customer Retention:** Given today's highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they actually involve the customer in service delivery process by taking into consideration his requirements and feedback. Thus they offer greater scope for customization according to customer requirements thus offering increased satisfaction leading to higher customer retention.

### **Classification of Services**

#### **I. On the Basis of Degree of Involvement of the Customer:**

This category is based on the degree of involvement of the customer.

1. **People Processing-** The customer has to be present at the place of delivery to experience or consume the service, like a training workshop, a dance class, health care, etc.

2. **Possession Processing**- Even if the customer's presence is not required, his possession or property needs to be deposited for service, like car servicing/repair, TV/VCD repair, laundry, courier service, etc.

3. **Mental Stimulus Processing**- In this case the customer's mental attention is required, if not physical presence, in order to experience services like career counselling, advertising, consultation and education services, etc.

4. **Information Processing**- In this case, data, information, knowledge are gathered and analysed for clients, like research studies, market surveys, data processing, accounting, legal services, programming, etc.

## **II. On the Basis of Service Tangibility:**

1. **Highly Tangible**- The service includes physical products (highly tangible) for use during the contract period, like a cell phone or a house on rent.

2. **Services Linked to Tangible Goods**- These are the guarantee or warranty periods, during which the sellers provide free or subsidised services to the customer, like machines, vehicles, gadgets, etc.

3. **Tangible Goods Linked to Services**- Here some physical goods are given to the customer as part of a service, like food with a train/air ticket, hotel accommodation which includes morning breakfast, etc.

4. **Highly Intangible**- Here, no products are offered as part of the services, like haircuts, body massage, movie, etc.

## **III. On the Basis of Skills and Expertise Required:**

The basis of the level of skills required to render a set of services, as-

1. **Professional (High Skill) Service Marketing** – These services require a higher level of qualification and training to provide services, like doctors, lawyers, pilots, IT professionals, etc.

2. **Non-Professional (Low Skill) Service Marketing** – These services don't require any special prerequisites in skills, and can be performed by anybody with some practice, like office security guards, babysitters, courier delivery boys, etc.

## **IV. On the Basis of the Business Orientation of the Service Provider:**

This kind of service marketing depends on the business style or orientation (objective, purpose, aim) of the organisation, as-

1. **Commercial Organisations (Profit Oriented)** – The main objective here is to make a profit by providing service. They strive to do all that is required to earn profits by keeping the customers satisfied.

2. **Non-profit Organisations (Service Oriented)** – The main objective here is to serve the target clientele, without any motive to earn any profit. Of course money is needed for running such an

organisation, and that is obtained from public donations, trust funds, or government aid. This category includes government bodies and also no-profit-no-loss (cost to cost) organisations. Schools, NGOs, welfare societies, disaster relief organisations, etc. are examples.

#### **V. On the Basis of the Types of End Users:**

Service marketing can be classified by the type of consumers who consume them.

1. **Consumer Service Marketing (B2C)** – This is between the service provider (the company) and the individual customer for his personal consumption like medical treatment, fitness services.

2. **Business to Business Service Marketing (B2B)** – This is between two companies, like one company hiring another, to do market research for it.

3. **Industrial Service Marketing** – This is the case where a manufacturing company buys services from a service provider like supply, erection, commissioning, and maintenance of the plant and machinery.

#### **Classification of Service Marketing –**

2 Major Classification: Consumer Service Marketing and Industrial Service Marketing

Service Marketing can be classified according to the market to which they are offered- (1) Services sold in the consumer market, (2) Services sold in the business market. Please note that we have many services common to both market, e.g., financial, insurance, transport and communication services.

#### **1. Consumer Service Marketing:**

In the modern society, we come across many types of services sold to the consumer.

##### **a. Food Services:**

Restaurants, cafeterias and hotels are offering food services to numerous individuals and families who have firmly developed the habit of eating out. Small eating places offer simple and cheaper meals. Five Star hotels offer elegant and costly food but with superb services and royal comforts.

Increasing tourism has also boosted the development of hotel industry. Then, we have also caterers who specialise in supplying food and service for dinners and parties at our residences on ceremonial occasions.

McDonald's follow modern scientific methods of production and marketing in supplying food products to millions of people. Their customer services are planned, controlled, automated, audited for quality control and regularly reviewed for performance improvement and customer reaction.

##### **b. Hotels and Motels:**

Lakhs of people every day use lodging and boarding services all over the country. Tourism is growing and hotels and motels are growing in numbers every year. Modern hotels provide luxurious life to travellers and tourist population. Tourism is now considered a source of foreign

exchange in all countries. Modern hotels provide numerous amenities, comforts and refined services.

A Five Star hotel is fully air-conditioned. It has air-conditioned rooms with four-channel music, complimentary cold drink, a fridge, a TV set, a telephone in the bath-room, wall-to-wall carpet, luxurious beds, a 24-hour room-service, a 24-hour coffee shop, a swimming pool, a health club, comfortable shopping arcade, a beauty parlour, and so on.

Hotel industry is thriving only on the customer services and satisfaction. Each customer is regarded as a VIP and there is a firm belief that the guest is always right. Customer delight is given top priority.

#### **c. Personal Care Services:**

Rising standards of living brought about development in the personal care services (helping a customer to be well groomed). These services are offered by health and fitness centres, beauty parlours, barber shops, laundries, dry cleaners, garment repair shops, shoe-repair shops, and so on.

Health and fitness organisations are growing in importance and popularity in all countries due to ever-increasing demand for improving individual personality and efficiency. In the anti-fat modern culture and life-style, figure-consciousness and weight-reduction (due to fatness) have assumed unique importance. People have money and are prepared to spend money on themselves.

#### **d. Car Service Firms (Garages):**

Lakhs of car owners are dependent on car service organisations. Petrol pumps sell both goods and services. They are now called service stations for mechanical road transport. There are also numerous garages and repair shops specialising in repairs and maintenance for cars, trucks, motor cycles and scooters.

#### **e. Entertainment Services:**

Rising purchasing power and more leisure time are responsible for the steady growth of entertainment services. Movies, sports, amusement parks, circuses, car racing, cricket, billiards, music, dancing and drama are such popular forms of organised entertainment today.

#### **f. Transport Services:**

Railways, buses, ships, and aeroplane provide transport services for moving people and goods. Fastest growth has taken place in air transport. A person can have round-the-world trip just in one fortnight. Air transport has become very popular in international tourism.

#### **g. Communication Services:**

Latest means of communication such as telephone, fax, telex, internet, mobile phones, courier and postal services are available. Now we have radio, television and also satellite communications all over the world. Within a few minutes we can talk on phone with any person in Europe and America through satellite communication system.

## **h. Insurance Services:**

Risk of loss in business is inevitable. Business risks are numerous. Many of them cannot be eliminated or avoided. But they can certainly be transferred or shifted. Insurance companies enable businesses to transfer many business risks conveniently.

They voluntarily assume the risk of loss due to fire, danger of the sea, dishonesty of employees or due to accidents in the factories. We have transportation insurance, unemployment and health insurance schemes to provide social security to employees. Insurance facilitates smooth running of business.

## **i. Financial Services:**

Many consumers require the services of banks for financing their purchases of durable goods usually through instalment sales. In foreign countries there is even easy house financing through bank loans. Home-owning is made easy with the help of mortgage loans. Modern high standard of living has become a reality for masses due to customer-oriented marketing approach adopted by banks, particularly after 1950.

## **2. Industrial Service Marketing:**

In the industrial market, many services are offered to facilitate the process of production, finance and marketing. Manufacturers, wholesalers and retailers also sell some services along with the sale of goods. They also buy many services in the conduct of their business. There are also specialised service firms selling their services to industry.

Industry wants the services of transport, storage, finance, insurance and communication services as these facilitate the business operations. Business also purchases specialised services such as merchant banking, advertising and sales-promotion services, engineering and office services.

## **Services Marketing Triangle**

The Services Marketing Triangle (or Services Triangle) shows the key factors involved in marketing a service business. It also shows the key marketing activities that occur between those factors.

### **criteria:**

**Intangible:** you cannot see, taste, or touch them.

**Inseparable:** you cannot separate production from consumption.

**Perishable:** you cannot store them, save them, or return them.

**Heterogeneous:** you cannot mass produce them as they are unique.

Examples of services include hotel rooms, flights, and health club membership.

Services businesses are marketed on promises. These are the promises made to customers and whether the service company keep those promises. The Services Marketing Triangle is a visual strategic model. It reinforces the importance of people in a company's ability to keep its promises.

## The Services Marketing Triangle

*Diagram*



Each factor works together to develop, promote, and deliver a company's service. The factors are:

**Company:** refers to the leadership team of the company in question.

**Employees:** refers to all employees, including subcontractors who deliver the company's service.

**Customers:** refers to all customers and potential customers of the company.

The lines between the points show the different types of marketing that must occur:

**External Marketing:** occurs between the company and its customers.

**Internal Marketing:** occurs between the company and its employees.

**Interactive Marketing:** occurs between the employees and the customers.

### External Marketing

Companies use external marketing to make promises to customers. External marketing is any communication to customers (or potential customers) that happens before service delivery starts.

#### Forms of external marketing include:

Advertising

Personal selling

Public relations (PR)

Direct marketing



**External Marketing** to achieve many aims including:

Creating awareness.

Setting price expectations.

Setting service level expectations.

Informing customers if any prerequisites that must be in place before they can use the service.

### **Internal Marketing**

Within a services business, employees are viewed as internal customers. The leadership team should be focused on satisfying its employees so that they want to better serve customers.

Internal marketing involves motivating employees to work as a team to make customers satisfied. This is obviously true for customer service representatives. It can equally be applied to all employees. This results in everyone, at all levels of the organization, being empowered to deliver great customer service.

### **Key components of internal marketing include:**

- Motivating employees
- Teaching customer satisfaction techniques
- Communicating company goals regularly
- Management of change
- Training staff on how to use the company's services
- Good pay and working conditions

### **Interactive Marketing**

Interactive marketing occurs when employees and customers interact. It is here where the promises made during external marketing are either kept or broken by employees or sub-contractors.

Each significant interaction between an employee and a customer is known as a service encounter.

**Interactive marketing** is important because it establishes both short-term and long-term satisfaction. That is, if the customer is satisfied with the service they received in the short-term, they are more likely to be satisfied over the longer term.

### **Services Marketing Triangle Example**

#### **Example, a luxury hotel.**

First, let's consider external marketing. A luxury hotel may want to educate customers through advertising and public relations. Here, they will want to inform customers that their rooms have the finest quality fixtures, fittings, and toiletries. They are likely to also want to convey that their staff are knowledgeable and very willing to help with whatever request a customer may have.

To deliver these promises the company focuses on internal marketing. It establishes more concierge roles within the hotel than the industry average. This helps ensure that staff feel they have the time they need to help each customer to the best of their ability. Employees are also

trained on the local area, local activities, and excursions. The company also teaches every employee how to handle and diffuse difficult guests and situations.

One of the ways that the hotel handles interactive marketing is as follows. They employ someone to manage their social media presence and reputation.

Now suppose a guest tweeted that they are in their room preparing for an important meeting the next day. This would be noticed by the member of staff managing the hotel's social media presence. Then, whilst the guest is at their meeting the hotel might leave a handwritten note and some chocolates in their room.

The note will wish that their meeting went well. The chocolates will make them feel cared about and listened to. This makes the customer feel valued in the short term. It also makes them more likely to remain a customer over the long-term.

### **Difference Between Goods and Services**

Goods are items that can be touched, seen or felt and are ready for sale to customers. Service is an activity which one party can offer to another party without transferring the ownership of anything.

Goods are material items that can be touched, seen or felt and are ready for sale to customers. Service is an activity which one party can offer to another party without transferring the ownership of anything. Goods are tangible and homogeneous in nature. Services are intangible and heterogeneous in nature.

### **Key Differences Between Goods and Services**

The basic differences between goods and services are mentioned below:

1. Goods are the material items that the customers are ready to purchase for a price. Services are the amenities, benefits or facilities provided by the other persons.
2. Goods are tangible items i.e. they can be seen or touched whereas services are intangible items.
3. When the buyer purchases the goods by paying the consideration, the ownership of goods moves from the seller to the buyer. Conversely, the ownership of services is non-transferable.
4. The evaluation of services is difficult because every service provider has a different approach of carrying out services, so it is hard to judge whose services are better than the other as compared to goods.
5. Goods can be returned to or exchanged with the seller, but it is not possible to return or exchange services, once they are provided.
6. Goods can be distinguished from the seller. On the other hand, services and service provider are inseparable.
7. A particular product will remain same regarding physical characteristics and specifications, but services can never remain same.
8. Goods can be stored for future use, but services are time bound, i.e. if not availed in the given time, then it cannot be stored.

9. First of all the goods are produced, then they are traded and finally consumed, whereas services are produced and consumed at the same time.

### **Comparison between goods and services**

<b>Basis for Comparison</b>	<b>Goods</b>	<b>Services</b>
Nature	Tangible	Intangible
Transfer of ownership	Yes	No
Evaluation	Very simple and easy	complicated
Return	Goods can be returned	Services cannot be returned back once they are provided
Separable	Yes goods can be separated from the seller	No services cannot be separated from the service provider
variability	identical	diversified
storage	Goods can be stored for future	Services cannot be stored for future.
Production and consumption	There is a timelag between production and consumption	Production and consumption takes place simultaneously.

**The Contents in this E-Material is taken from the text and reference book as given in the syllabus.**