

UNIT II

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Services Marketing Environment

Business environment is broadly divided into two types:

Internal Environment and

External environment

i Internal Environment :

It relates to those factors which are internal to the business and are controllable. The internal environment exercises a significant influence on the attitudes, behaviour and performance of people. Internal environment is influenced by the following factors:

Goals and objectives of the organisation: The goals and the objectives set up the parameters within which the organisation decisions can be taken. They greatly influence an ability of an organisation to deal with its external environment. Financial and non-financial targets are determined by the goals.

Corporate image: Every organisation enjoys an image among the employees. Some refer to their employers as progressive whereas others refer to them as Conservative. To make the business acceptable to the society, every business must try to improve its image. Objectives based on enlightened lines certainly help to improve corporate image.

Research and development facilities: Research and development is the strength of the business. it helps the business to go ahead of the competitors by introducing new products and improving the existing ones.

Efficient manpower: A successful business is known by its efficient manpower and not by the buildings and machines. Manpower makes or breaks a business. Due care should be taken to recruit result -oriented employees.

Business policies: The knowledge of internal environment and how it affects the functioning of the organisation is important to understand the use of business policies. Broadly, policies cover four functional areas viz. production, marketing, finance and HRD. Business policies provide the broad guidelines within which an organisation has to work. Thus policies should be comprehensive.

Strong financial base: Business organisations must try to attain strong financial base. This helps the business to fight uncertainty in the market. It can depend on internal financing when an external borrowing becomes costly.

Cordial relations: Both the employers & employees should try to maintain cordial relations at the workplace. It is important to keep clear line of communication. Differences and conflicts can be settled across the table. Work environment should attract employees to their work.

Value based management : Traditional measures for performance measurement like a return on sales, a return investment or a return on net assets have become outdated. New measures like shareholders, views, employee morale and the work ethics which improve the employee satisfaction are considered more important. Value system is internal to business and differs from enterprise to enterprise.

ii. **External Environment:**

External environment relates to the factors which are external to the business organisation. It is divided into Micro Environment and Macro Environment.

MICRO ENVIRONMENT:

The micro environment consists of all the factors in the company's immediate environment that affects the performance of the Company. These include the suppliers, marketing intermediaries, competitors, customers and the publics. The micro-environmental factors are more – intimately linked with the company than the macro factors. The micro- forces need not necessarily affect all the forms in a particular industry in the same way. Some of the micro factors may be particular to a firm. When competing firms in an industry have the same micro elements, the relative success of the firm depends inter alia, on their relative effectiveness in dealing with these elements. The following factors affect the micro environment:

Corporate Resources:

Corporate resources include employees, funds, materials, machinery and management. These resources are controllable. They can be used as per the guidelines provided by the business policies.

Customers:

The business exists only because of its customers. Monitoring the customers' sensitivity is therefore a prerequisite for the success of a business- It is important to consider the customers' likes, dislikes, needs, preferences, buying motives and expectations. A company may have different categories of customers like individuals, households, industries and other commercial establishments and government and other institutions. Higher customer patronage brings increased profit to the business.

Suppliers:

Supplier is an important force in the micro environment of the firm. Supplier, are those people who supply inputs like raw materials and components to the firm. The importance of reliable source of supply to the smooth functioning of the business cannot be overlooked. Uncertainty regarding the supply or the other supply constraints often compel companies to maintain high inventories leading to increased cost. It is always advisable to, negotiate with several suppliers and

not allow a single supplier to enjoy monopoly power. The selection of suppliers is within the control of the management.

Competitors:

The role of competitors is beyond the control of the management. It is necessary to study the competitors' policy on product, price, promotion, etc. When relevant information is collected about the competitors, it helps to strengthen business and also face the competition more effectively. The business can profit by exploiting the weaknesses of the competitors

Marketing intermediaries

The marketing intermediaries, include middlemen such as agents and merchants who help the company find – customer or close sales with them. Marketing intermediaries are a vital link between the company a the final consumers. A wrong choice of the link, may cost the company heavily. Goods requiring demonstrations find the services of middlemen unavoidable.

Society:

Business has to serve the society. Society consists of general public, media, government, financial institutions and organize group like trade unions, shareholders' associations etc. Society, directly influences the decisions of business.

MACRO ENVIRONMENT

1. Economic Environment

The survival and success of each and every business enterprise depend fully on its economic environment. The main factors that affect the economic environment are:

(a) **Economic Conditions:** The economic conditions of a nation refer to a set of economic factors that have great influence on business organisations and their operations. These include gross domestic product, per capita income, markets for goods and services, availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market etc. All these help in improving the pace of economic growth.

(b) **Economic Policies:** All business activities and operations are directly influenced by the economic policies framed by the government from time to time. Some of the important economic policies are:

- (i) Industrial policy
- (ii) Fiscal policy
- (iii) Monetary policy
- (iv) Foreign investment policy
- (v) Export –Import policy (Exim policy)

The government keeps on changing these policies from time to time in view of the developments taking place in the economic scenario, political expediency and the changing requirement. Every business firm has to function strictly within the policy framework and respond to the changes therein.

Important Economic Policies

Industrial policy: The Industrial policy of the government covers all those principles, policies, rules, regulations and procedures, which direct and control the industrial enterprises of the country and shape the pattern of industrial development.

Fiscal policy: It includes government policy in respect of public expenditure, taxation and debt.

Monetary policy: It includes all those activities and interventions that aim at smooth supply of credit to the business and a boost to trade and industry.

Foreign investment policy: This policy aims at regulating the inflow of foreign investment in various sectors for speeding up industrial development and take advantage of the modern technology.

Export–Import policy (Exim policy) : It aims at increasing exports and bridge the gap between export and import. Through this policy, the government announces various duties/levies. The focus now-a-days lies on removing barriers and controls and lowering the custom duties.

2. Social and culture Environment

It refers to people's attitude to work and wealth; role of family, marriage, religion and education; ethical issues and social responsiveness of business. The social environment of business includes social factors like customs, traditions, values, beliefs, poverty, literacy, life expectancy rate etc. The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. For example, during festive seasons there is an increase in the demand for new clothes, sweets, fruits, flower, etc. Due to increase in literacy rate the consumers are becoming more conscious of the quality of the products. Due to change in family composition, more nuclear families with single child concepts have come up. This increases the demand for the different types of household goods. It may be noted that the consumption patterns, the dressing and living styles of people belonging to different social structures and culture vary significantly.

3. Political Environment

This includes the political system, the government policies and attitude towards the business community and the unionism. All these aspects have a bearing on the strategies adopted by the business firms. The stability of the government also influences business and related activities to a great extent. It sends a signal of strength, confidence to various interest groups and investors. Further, ideology of the political party also influences the business organisation and its operations. Coca-Cola, a cold drink widely used even now, had to wind up operations in India in late seventies. Again the trade union activities also influence the operation of business enterprises. Most of the labour unions in India are affiliated to various political parties. Strikes, lockouts and labour disputes etc. also adversely affect the business operations. However, with the competitive business

environment, trade unions are now showing great maturity and started contributing positively to the success of the business organisation and its operations through workers participation in management.

4. Legal Environment

This refers to set of laws, regulations, which influence the business organisations and their operations. Every business organisation has to obey, and work within, the framework of the law. The important legislations that concern the business enterprises include :

Companies Act, 1956

Foreign Exchange Management Act, 1999

The Factories Act, 1948

Industrial Disputes Act, 1972

Payment of Gratuity Act, 1972

Industries (Development and Regulation) Act, 1951

Prevention of Food Adulteration Act, 1954

Essential Commodities Act, 2002

The Standards of Weights and Measures Act, 1956

Monopolies and Restrictive Trade Practices Act, 1969

Trade Marks Act, 1999

Bureau of Indian Standards Act, 1986

Consumer Protection Act, 1986

Environment Protection Act

Competition Act, 2002

Analyzing opportunities and significance of Services Marketing

1. Consumer segmentation

To understand demand, it is essential to identify consumer segments that share common characteristics. These characteristics can be “hard” variables such as age, gender, place of residence, educational level, occupation and level of income or “soft” variables such as lifestyle, attitude, values and purchasing motivations. Example: Soft drinks and juices tasted good, but were perceived as highly caloric. The company realised there was an opportunity for healthy drinks offering both taste and flavour. As a result, they launched flavored bottled waters Ser with great success.

2. Purchase situation analysis

Purchase situations must also be examined to uncover expansion opportunities. Questions to ask when reviewing purchase analysis are:

When do people buy our product or service?

Is it when they need it?

Where do people make the purchase?

How do they pay?

Looking at distribution channels, payment methods and all other circumstances that involve purchasing decisions can teach how consumers buy and how to position product/service appropriately.

3. Direct competition analysis

In addition to analysing demand and purchasing situations, it is important to analyse supply. Knowing the existing players in the market where you are competing or going to compete is important when evaluating opportunities. Relevant questions in this case are:

What are the products and brands of our industry that are growing more significantly and why?

What is their value proposition?

What competitive advantage do we have over them?

For example, SKY airline, competing in the Chilean market against a notably positioned brand such as LAN, found there was an opportunity to differentiate itself with a low cost model, which until then had not existed in Chile.

4. Analysis of complementary products and services

Companies should monitor the performance of other companies' products, which are complementary to their own. For instance, a packaging company should monitor sales of products that it could potentially package, while a company producing coffee machines should gather insights on the evolution of different types of coffee sales. Trends in complementary markets should be taken into account when making investment decisions.

5. Analysis of other industries

In some cases, the objective of companies is not to continue operating within an industrial sector but to expand a certain business model or philosophy. For example, a British holding of companies, Easy Group, started maximising the occupancy rate of flights with the airline Easy Jet. Easy Group understood that it was preferable to sell a seat at a lower price than not selling it at all. Easy Jet opted for a rate management model that depended on the occupancy rate of flights and the time remaining until the day of the flight. With this business model, it managed to increase occupancy rates.

6.Foreign markets analysis

When a company operates in a mature or saturated market, exploring other countries may lead to additional opportunities. Markets in different countries grow at different paces for several reasons, including disparities in the level of economic development and local habits. Knowing the evolution of per capita consumption of a given product in a given country can serve as an indicator of the maturity of the product's life cycle. Having information on the size of the market and competitors in other countries will help to estimate the business potential.

7.Environment analysis

Market opportunities can also be identified by analysing changes in the environment with technological and scientific developments generating new business opportunities. For example, the growth of the Internet and smartphones' penetration has enabled the arrival of companies with new business models such as Airbnb and Uber.

Targeting – Positioning

Today, the STP marketing model (Segmentation, Targeting, Positioning) is a familiar strategic approach in modern marketing. It is one of the most commonly applied marketing models in practice.

In our poll asking about the most popular marketing model it is the second most popular, only beaten by the venerable SWOT / TOWs matrix. This popularity is relatively recent since previously, marketing approaches were based more around products rather than customers. In the 1950s, for example, the main marketing strategy was 'product differentiation'.

The STP model is useful when creating marketing communications plans since it helps marketers to prioritize propositions and then develop and deliver personalized and relevant messages to engage with different audiences.stp-model. This is an audience-focused rather than product-focused approach to marketing communications which helps deliver more relevant messages to commercially appealing audiences. It reminds us how digital channels offer new options for targeting audiences that weren't available previously, but we need to reserve sufficient budget for. For example:Search intent as searchers type keywords when comparing products they are interested in buying Interest-based targeting in Facebook, e.g. Prospecting for those interested in Gardening, Gym membership or Golf Targeting through email personalization and on-site personalization based on profile, behaviour (e.g. content consumed).

How to use STP marketing?

Through segmentation, you can identify niches with specific needs, mature markets to find new customers, deliver more focused and effective marketing messages.

The needs of each segment are the same, so marketing messages should be designed for each segment to emphasise relevant benefits and features required rather than one size fits all for all customer types. This approach is more efficient, delivering the right mix to the same group of people, rather than a scattergun approach.

Well-known ways to segment audience include:

1. Demographics

Breakdown by any combination: age, gender, income, education, ethnicity, marital status, education, household (or business), size, length of residence, type of residence or even profession/occupation.

An example is Firefox who sell 'coolest things', aimed at younger male audience. Though, Moshi Monsters, however, is targeted to parents with fun, safe and educational space for younger audience.

2. Psychographics

This refers to 'personality and emotions' based on behaviour, linked to purchase choices, including attitudes, lifestyle, hobbies, risk aversion, personality and leadership traits. magazines read and TV. While demographics explain 'who' buyer is, psychographics inform u 'why' customer buys.

There are a few different ways to gather data to help form psychographic profiles.

Interviews: Talk to a few people that are broadly representative of your target audience. In-depth interviews let you gather useful qualitative data to really understand what makes your customers tick. The problem is they can be expensive and difficult to conduct, and the small sample size means they may not always be representative of the people you are trying to target.

Surveys: Surveys let you reach more people than interviews, but it can be harder to get as insightful answers.

Customer data: You may have data on what your customers tend to purchase from you, such as data coming from loyalty cards if an FMCG brand or from online purchase history if you are an ecommerce business. You can use this data to generate insights into what kind of products your customers are interested in and what is likely to make them purchase. For example, does discounting vastly increase their propensity to purchase? In which case they might be quite spontaneous.

An example is Virgin Holidays who use segmentation, positioning, and targeting to promote their holidays to 6 different audiences.

3. Lifestyle

This refers to Hobbies, recreational pursuits, entertainment, vacations, and other non-work time pursuits.

Companies such as on and off-line magazine will target those with specific hobbies i.e. FourFourTwo for football fans.

Some hobbies are large and well established, and thus relatively easy to target, such as the football fan example. However, some businesses have found great success targeting very small niches very effectively.

4. Belief and values

Refers to Religious, political, nationalistic and cultural beliefs and values.

The Islamic Bank of Britain offers Sharia-compliant banking which meets specific religious requirements.

A strange but interesting example of religious demographics influencing marketing that you might not have guessed is that Mormons are really into 'multi-level marketing'.

5. Life stages

Life stages is the Chronological benchmarking of people's lives at different stages.

An example is Saga holidays which are only available for people aged 50+. They claim a large enough segment to focus on this life stage.

6. Geography

Drill down by Country, region, area, metropolitan or rural location, population density or even climate.

7. Behaviour

Refers to the nature of the purchase, brand loyalty, usage level, benefits sought, distribution channels used, reaction to marketing factors.

In a B2B environment, the benefits sought are often about 'how soon can it be delivered?' which includes the 'last-minute' segment - the planning in advance segment.

8. Benefit

Benefit is the use and satisfaction gained by the consumer.

9. Market targeting

The list below refers to what's needed to evaluate the potential and commercial attractiveness of each segment.

10. Criteria size: The market must be large enough to justify segmenting. If the market is small, it may make it smaller.

11. Difference: Measurable differences must exist between segments.

12. Money: Anticipated profits must exceed the costs of additional marketing plans and other changes.

13. Accessible: Each segment must be accessible to your team and the segment must be able to receive your marketing messages

14. Focus on different benefits: Different segments must need different benefits.

Product positioning

Positioning maps are the last element of the STP process. For this to work, you need two variables to illustrate the market overview.

1. What to watch for in segmentation, positioning and targeting marketing strategy
2. Make sure the market is large enough to matter and customers can be easily contacted.
3. Apply market research to ensure your approach will add value to the existing customer experience, above and beyond competitors.

Service Marketing Mix

The concept of the 'Marketing Mix' came about in the 1960s when Neil H. Borden, professor and academic, elaborated on James Culliton's concept of the marketing mix. Culliton described business executives as 'mixers of ingredients': the ingredients being different marketing concepts, aspects, and procedures.

However, it's now widely accepted that Jerome McCarthy founded the concept. After all, it was McCarthy who offered the marketing mix in the form of 'The 4Ps of Marketing': Product, Place, Price, & Promotion.

What are the 7Ps of the marketing mix?

Product

The 7Ps begins with 'product'. This could refer to a physical product, a service or an experience. Basically... anything that's being sold. So no matter what product or service is, it's important that it meets the demands of the market and satisfies, or exceeds, the expectations of the customer.

Place

'Place' signifies where to choose to distribute or allow access to product or service. It could refer to anything from a warehouse or a high-street store to an e-commerce shop or cloud-based platform. Consider where customers will look for product (magazines, price-comparison sites), where they spend most of their time (supermarkets, online stores, regular brick-and-mortar stores), and your sales capacity. It is necessary to take into consideration how and where competitors are selling.

Price

How much does product or service cost? The price set should reflect customer's perceived value of product and should correlate with the budget. If the customer thinks price is too high, there are chances of losing a market, if your price is too low then there is the risk of losing that all-important profit.

Promotion

Promotion refers to your advertising, marketing, and sales techniques. This could mean traditional advertising, via TV, radio, billboards, etc., or more modern methods, like ads within web content, ads on a podcast, email marketing or push notifications.

Physical Evidence

It is important for consumers to know that the brand they're purchasing from or interacting with, are legitimate and, well, actually exist in real life. That's where physical evidence comes in.

Physical evidence often takes two forms: evidence that a service or purchase took place and proof or confirmation of the existence of the brand. For example, any services or products received count as physical evidence. As do the likes of your receipts, packaging, tracking information, invoices, brochures or PDFs, and so on.

People

Employees. Those people who are involved in selling a product or service, designing it, managing teams, representing customers... the list goes on. The 'people' element of the 7Ps involves anyone directly, or indirectly, involved in the business-side of the enterprise. Employing and retaining the right people is imperative in both the long and short term success of the business.

Processes

Process. The 7th ingredient in our marketing mix - 'process' describes a series of actions that are taken in delivering the product or service to the customer. Examining the process means assessing aspects such as the sales funnel, payment systems, distribution procedures and managing customer relationships.

New Service Development Process

I Front End Planning:

a. Business Strategy Development:

The first Step is to review the vision and mission of the company.

b. New Service Strategy Development:

The product portfolio strategy and a defined organizational structure for new product / service development are critical for the foundation of success. (Possibility in terms of markets, types of services, time horizon, profit criteria).

c. Idea Generation:

Formal brainstorming, solicitation of ideas from employees and customers, lead-users researchers and learning about competitors.

d. Service Concept development and evaluation:

After clear definition of the concept, it is important to produce a description of the service that represents its specific features and then to determine initial customer and employee responses to the concept.

e. Business Analysis:

Assuming the service concept is favourably evaluated by customers and employees at the concept development stage, the next step is to determine its feasibility and potential profit implications.

This stage will involve preliminary assumptions about the costs of hiring and training personnel delivery system enhancements, facility changes.

The organization will pass the results of the business analysis through its profitability and feasibility screen to determine whether the new service idea meets the minimum requirements.

II IMPLEMENTATION:

f. Service development and testing:

It involves construction of product prototype and testing for consumer acceptance.

During this phase, the concept is refined to the point where a detailed service blueprint representing the implementation plan for the service can be produced.

g. Market testing:

The new service may be offered to employees of the organization and their families for a time to assess their responses to variations in marketing mix.

At this stage, pilot study has to be done for the service, to be sure that the operational details are functioning smoothly.

h. Commercialization:

At this stage, the service goes live and introduced to the market place.

The first is to build and maintain acceptance of the new service among large numbers of service delivery personnel who will be responsibility day-to-day for service quality. To monitor all aspects of the service during introduction and through the complete service cycle.

i. Post Evaluation

At this stage, the information gathered during commercialization of the service can be viewed and changes made to the delivery process, staffing or marketing –mix variables on the basis of actual offering to the market response.

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