UNIT IV

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Service Product

Service product is when a business offers a service and a product or a good together as its practice. This is also called service-good mix, and it can refer to many different types of businesses in all different industries**.**

Examples of service products hotel stays, for instance) and goods products (sneakers and bread, for instance). Service products are reflected by a wide variety of industries: utilities, restaurants, educational institutions, consulting firms, hotels, medical care providers, and banking, to name but a few.

Goods are a physical product capable of being delivered to a purchaser and involve the transfer of ownership from seller to customer. A service is a non-material action resulting in a measurable change of state for the purchaser caused by the provider.

A service or service product may be defined as "an activity of more or less intangible nature that normally, but not necessarily, takes place in inter-action between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems".

What Is Service Product?

Service product is when a business offers a service and a product or a good together as its practice.

1. What Is the Difference Between a Service and a Product?

2. Goods and Services Combined

3. Transitioning From Service to Product

Service product is when a business offers a service and a product or a good together as its practice. This is also called service-good mix, and it can refer to many different types of businesses in all different industries.

Goods and Services Combined

Most companies actually combine services and products in their offerings to customers. Think of a grocery store. It provides plenty of products for you to purchase and take home, but it also provides a service when the cashier scans and bags your products, and the worker returns your grocery cart to the store. There's a continuum with pure services on one end and pure goods on the other, and most business offerings to customers fall somewhere between those two ends.

There are pure good and core goods. Pure goods include things such as:

Chemicals

Food products

Books.

Core goods include things such as:

Data storage

Cars

Appliances.

Pure services include:

Medical advice

Teaching

Financial advising.

Core services include:

Airline flights

Hotel accommodations

Internet services

Cleaning services.

Pure goods offer goods that act mostly as basic commodities. Core goods are physical objects that provide a service as they're used. Pure services provide services that remain totally intangible, while core services provide a service with tangible aspects.

Analysis of the service offer

Service offer. A service offer is what the organisation says it will offer its customers and is therefore what the customer comes to expect. A service offer covers e.g. the refund policy, its delivery times and the service it will offer. Brand promise.

The business analysis plan is the key starting point for the service analysis. It is an important communication and project commitment document, and it helps ensure the use of proper analysis techniques, project team alignment, requirements, and timelines. The analysis plan is really a road map for the project.

There are a number of different components in any service business analysis plan. However, there are some generally agreed on elements that should be included. Here are a few examples:

- Scope of work

- Activities and tasks
- Characteristics and definitions of the tasks and activities
- Agreement on tasks, activities, and deliverables
- Identification of stakeholders and resources
- Definition of resource requirements
- Assignment of resources
- Schedule development
- Accuracy enforcement of the project budget
- Integration of the overall schedule plan

The analysis itself includes the following type of information:

- Sections and subjects with information on target markets, competition, strategies, and customer service
- Overviews of the important considerations in each of these sections and associated subjects
- Recommended changes to be made and the rationales for these changes
- A valuation or rating for each section based on industry standards and calculations

Services Planning

Service planning begins by defining the purpose of the service domain. There should always be a valid reason for an organisation to spend money on a specific service domain and invest on further development. This is valuable input to strategic planning which decides on how the money is allocated.

A service plan can help in the sudden need for maintenance. One plan may be to simply cover the trip and labor charges, which at times can add up depending on the per-hour billing rates and the amount of time the service personnel needs to make repairs.

An effective service plan is a critical component of case management and can make a significant difference in the lives of your clients.

How to develop a Service Plan

1.Start With a Thorough Interview.

2.Develop Intermediate and Long-Term Goals.

3.Build Concurrent Plans.

4.Create Definitive Steps for Implementation.

Service Planning Process

The process of service planning defines the core services to be delivered to the community, in conjunction with the necessary ancillary or support services, also required within a prescribed timeframe.The services plan should clearly identify existing service needs as well as new, reconfigured or replacement services.

Marketing Planning Process

Marketing planning process is a series of stages that are usually followed in a sequence. Organisations can adapt their marketing plan to suit the circumstances and their requirements. Marketing planning process involves both the development of objectives and specifications for how to achieve the objectives. Following are the steps involved in a marketing plan.

1) Mission

Mission is the reason for which an organisation exists. Mission statement is a straightforward statement that shows why an organisation is in business, provides basic guidelines for further planning, and establishes broad parameters for the future. Many of the useful mission statements motivates staff and customers.

2) Corporate Objectives

Objectives are the set of goals to be achieved within a specified period of time. Corporate objectives are most important goals the organisation as a whole wishes to achieve within a specified period of time, say one or five years.

All the departments of an organisation including marketing department works in harmony to achieve the corporate objectives of the organisation. Marketing department must appreciate the corporate objectives and ensure its actions and decisions support the overall objectives of the organisation.

Mission statement and corporate objectives are determined by the top level management (including Board of Directors) of the organisation. The rest of the steps of marketing planning process are performed by marketing department. All the actions and decisions of the marketing department must be directed to achieve organisation mission and its corporate objectives.

3) Marketing Audit

Marketing audit helps in analysing and evaluating the marketing strategies, activities, problems, goals, and results. Marketing audit is done to check all the aspects of business directly related to marketing department. It is done not only at the beginning of the marketing planning process but, also at a series of points during the implementation of plan. The marketing audit clarifies opportunities and threats, so that required alterations can be done to the plan if necessary.

4) SWOT Analysis

The information gathered through the marketing audit process is used in development of SWOT Analysis. It is a look at organisation's marketing efforts, and its strengths, weaknesses, opportunities, and threats related to marketing functions.

Strengths and Weaknesses are factors inside the organisation that can be controlled by the organisation. USP of a product can be the example of strength, whereas lack of innovation can be the example of weakness.

Opportunities and Threats are factors outside the organisation which are beyond the direct control of an organisation. Festive season can be an example of opportunity to make maximum sales, whereas increasing FDI in a nation can be the example of threat to domestic players of that nation.

5) Marketing Assumptions

A good marketing plan is based on deep customer understanding and knowledge, but it is not possible to know everything about the customer, so lot of different things are assumed about customer.

For example :-

Target Buyer Assumptions - assumptions about who the target buyers are.

Messaging/Offering Assumptions - assumptions about what customers think are the most important features of product to be offered.

6) Marketing Objectives and Strategies

After identification of opportunities and challenges, the next step is to develop marketing objectives that indicate the end state to achieve. Marketing objective reflects what an organisation can accomplish through marketing in the coming years.

Objective identify the end point to achieve. Marketing strategies are formed to achieve the marketing objectives. Marketing strategies are formed to determine how to achieve those end points. Strategies are broad statements of activities to be performed to achieve those end points.

7) Forecast the Expected Results

Marketing managers have to forecast the expected results. They have to project the future numbers, characteristics, and trends in the target market. Without proper forecasting, the marketing plan could have unrealistic goals or fall short on what is promised to deliver.

Forecasting Customer Response - Marketing managers have to forecast the response that the average customers will have to marketing efforts. Without some idea how the marketing will be received, managers can't accurately plan the promotions.

Forecasting Marketing cost - To make the marketing plan stronger, accurate forecast of marketing cost is required to be done.

Forecasting the Market - To accurately forecast the market, marketing managers have to gain an intimate understanding of customers, their buying behaviour, and tendencies.

Forecasting the Competition - Forecast of competition like - what they market, how they market, what incentives they use in their marketing can help to counter what they are doing.

8) Create Alternative Plan

A alternate marketing plan is created and kept ready to be implement at the place of primary marketing plan if the whole or some part of the primary marketing plan is dropped.

9) Marketing Budget

The marketing budget is the process of documenting the expected costs of the proposed marketing plan. One common method to allocate marketing budgeting is based on a percentage of revenue. Other methods are - comparative, all you can afford, and task method.

10) Implementation and Evaluation

At this stage the marketing team is ready to actually start putting their plans into action. This may involve spending money on advertising, launching new products, interacting with potential new customers, opening new retail outlets etc.

Factors affecting pricing decisions- Special issues of service pricing.

Two categories of factors-internal and external factors influence the pricing decisions of any enterprise. In each of these categories some may be economic factors and some psychological factors, again some factors may be quantitative and yet qualitative.

I. Internal Forces:

The firm has certain objectives long term and immediate in pricing. For example – it has certain costs of manufacturing and marketing and it seeks to recover these costs through the price. The firm is also seeking a particular public image through its pricing policies.

It may have a basic philosophy on pricing. The pricing decisions of the firm have to be consistent with this philosophy. Pricing also has to be consistent with the overall objectives of the firm. All these constitute the internal factors that influence pricing.

Moreover, pricing strategy has to fit into the overall marketing strategy. It cannot exist independently. In this sense, overall marketing strategy is another internal factor that influences pricing.

Further internal factors influence the price:

1. Corporate and marketing objectives of the firm.

2. The image sought by the firm through pricing.

3. The basic characteristics of the product.

4. The stage of the product on the product life-cycle.

5. Price elasticity of demand of the product.

6. Use pattern and turn round rate of the product.

7. Costs of manufacturing and marketing.

8. Composition of the product line of the firm.

II. External Forces:

In addition to all the internal forces mentioned above, any business firm has to encounter a set of external factors while formulating its pricing strategy. In the first place, the nature of the economy and the nature of competition have to be reckoned with.

The purchasing power of the consumer as well as consumer behavior, in the larger sense of the term, also has to be reckoned with. In the country like India, the state exercises a lot of influence on price decisions in respect of a large variety of products.

It includes direct price controls through statutorily fixed maximum selling prices as well as indirect pressures to hold the price line at certain levels. Such external dimensions also have to be reckoned while formulating the pricing decision.

Further external forces influence the price:

1. Market characteristics.

2. Buyer behaviour in respect of the particular product.

3. Extent of bargaining power of major customers.

4. Competitor's pricing policy.

5. Government controls regulation or pressures on pricing.

6. Other relevant legal aspects.

7. Societal considerations.

8. Understanding, if any, reached with price cartels.

Other factors affecting pricing decisions

1.Objectives of the Business:

The management has to review the objectives of the firm as they are the real deciding factor. A firm may have alternative objectives such as a suitable return on the capital employed, maximisation of sales, capturing market from competitors, etc. The price should be fixed keeping in view all these factors.

2. Cost of Goods:

The price charged should cover the unit cost of production and earn a reasonable profit. No firm would want to operate at a loss. The cost of manufacturing is a key factor in determining the price of a product. The firm may adopt a cost-plus strategy, target pricing or break-even pricing according to its policies.

3. Market Position:

The position of the firm in the market and the nature of prospective buyers will influence the price. If customers belong to elite class and competition is low, the firm may adopt skimming. In case the product is for middle class and there is high competitiveness in the market, the firm will fix a lower price.

4. Competitor's Price:

The organization will keep in view the prices adopted by its close competitors. If the company fixes a price that is much higher than that of the competitors, then people would not be attracted towards this product. But at the same time, he should not fix a too low price as people will suspect that the goods are not of high quality. A price near to the competitor's which also provides for some profits should be chosen.

5. The Marketing Policies Pursued by the Sales Organization:

It is important to consider the channels for distribution selected to market the products. The longer the chain of distribution, the higher is the margin added to cost in fixing the price.

Warranties and after-sale service facilities attached to a sale also have a bearing on the pricing of goods. Proper adjustment should be made for regular or irregular rebates, concessions, cuts or other reductions in prices, allowed to customers as an incentive to promote sales.

6. Governmental Policies and Legal Restrictions:

Sometimes, the government may announce a general policy about pricing of goods. The government may specifically fix and control prices of goods like coal, sugar, petrol, etc. Under these circumstances the sales manager has little or no control over the prices and he has to fall in line with the public policy. There is also a legal restriction imposed on the maximum retail price that can be charged by the producers.