
UNIT 17 SERVICES MARKETING

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17.0 Objectives

After going through this unit; you shall be able to:

- explain the unique features of services and their classification;
- describe the scope of services;
- establish the difference between product and service and how are they independent of each other;
- explain the challenges involved in marketing of services;
- state the concept of services marketing mix;
- comprehend the need of and usage of product support services; and
- elaborate various strategies adopted by firms offering services.

17.1 INTRODUCTION

What do you mean by services? Are they the offerings in the market and if they are why are they given so much of importance? Why it has emerged as a separate subject. The importance of services sector in the economy of almost all the developed and developing countries has been increasing. If we see the economic history of all the nations, we can say that most of the developing

nations have seen transition from agriculture to industry to the services sector. The sector has emerged as the most important contributor to their respective economies. Considering the increasing importance of services sector, it becomes very important to explore the services sector and elaborate the uniqueness of the marketing strategies of services. In this unit, you will learn about the meaning and scope of services, how are they different from products and the interdependence between product and service, their classification and marketing strategies of services.

17.2 WHAT ARE SERVICES?

Whenever we think of marketing or talk of marketing people generally think of tangible goods i.e., products. This is the general perception. It is important to keep in mind that marketing is done for both tangible as well as intangible goods. The marketing of intangible goods (services) are much more complex than that of tangible goods. Let us first understand the meaning of services, and their peculiar characteristics.

It should be remembered that marketing concepts and techniques are equally applicable to services with relevant adaptations in certain decision areas. Any market offering that is intangible is called services. **The services are separately identifiable, essentially intangible activities which provide want satisfaction, and which are not necessarily tied to the sale of a product or another service.** For example, hospitals, hotels, universities, banks, insurance companies, transport firms, fire departments, police and post office.

To put it in simple terms, a product is an object, a device, a tangible thing; and a service is a deed, a performance, an effort. This captures the essence of the difference between products and services. Services are a series of deeds, processes and performances; hence tend to be more intangible, personalized, and custom-made than products. For instance, the services offered by Urban Clap, SBI, Tata consultancy services (TCS), Infosys, HCL technologies, IGNOU, IRCTC and MTNL are intangible deeds and performances. Similarly, the core offerings of hospitals, hotels, and utilities comprise primarily deeds and actions performed for customers.

Services are produced not only by service businesses such as those listed above, but are also integral to the offerings of many goods. For example, care manufacturers offer warranties and servicing contracts, and industrial equipment producers offer maintenance services. White goods manufacturers provide after-sales services. Even producers of items such as medicines and food items offer services to the consumers in the form of educating them through pamphlets as to how to use and maintain the item. These are examples of deeds, processes and performances associated with product offerings.

On the basis of the broad definitions given above services may include **all economic activities whose output is not a physical product, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser.** This definition has been used also to delineate the service sector of the economy.

It should be remembered that marketing ideas and practices are equally applicable to services with slight adaptations in certain decisional areas. Services in content are different from products.

Courts offer a service. So are hospitals, the fire department, the police and the post office. These are not products in the normal sense and yet it is very important for each of these institutions to have an appropriate image. The police are often criticized; the fire department is generally praised; the post office are criticized for delays; the hospitals perhaps are criticized for negligence and exorbitant rates and so on. It is obvious that controlling the quality of services is important for building up its image.

Apart from government or public sector undertakings, there are 'non-profit' organizations such as museums and charities. Although being non-profit, they also have to provide the best form of service for their popularity. The business and commercial sectors, which include airlines, banks, hotels, and insurance companies, and the professionals such as chartered accountants, management consulting firms, medical practitioners etc., also need marketing.

Details of industries classified within the service sector, is discussed below for understanding of the broad spectrum of the services sector.

Transportation and Public Utilities

- Transportation (Railroad transportation, Local and inter-urban passenger transit, warehousing, Water transportation, Air transportation, Pipelines gas, and other Transportation services)
- Communication (Telephone and telegraph, Radio and television broadcasting)
- Electric gas and sanitary services
- **Wholesale Trade**
- **Retail Trade**
- **Finance, Insurance, and Real Estate**
- Banking
- Credit agencies other than banks
- Security and commodity brokers, and services
- Real estate

Holding and other Investment

Other Services

- Hotels and other lodging places
- Personal services Business services
- Auto repair, services and garages
- Miscellaneous repair services
- Motion pictures
- Amusement and recreation services
- Health services
- Legal services
- Education services
- Social services and membership organizations
- Miscellaneous professional services
- Private household services

Federal Government

- Civilian
- Military

Government Enterprises

State and Local Government

- Education
- Other services

*Source:*Valarie A. Zeithaml and Mary Jo Bitner, Services Marketing, McGraw Hill, New York.

The above is not a very exhaustive listing, this will provide you a clear idea about services encompass a wide range of activities.

Characteristics of Services

Based on the above discussion, we can identify four basic characteristics of services that differentiate them from products. They are: (1) intangibility, (2) heterogeneity, (3) simultaneous production and consumption, and (4) perishability. Let us discuss them in detail.

Intangibility

The basic difference between goods and services is intangibility. Services are performances or actions rather than objects. Therefore, they cannot be seen, felt, tasted, or touched in the same manner that we can sense tangible goods.

The absence of tangible features that it is difficult for the seller to demonstrate or display services. Similarly, it is also difficult for buyers to sample, test or make a thorough evaluation before buying them. For example, health care services actions are surgery, diagnosis, examination, and treatment performed by doctors and directed towards patients. One cannot see or touch these services, although you may be able to see and touch certain tangible components of them like equipment, hospital room. In fact, services such as health care are not easy for the consumer to grasp even mentally. Even after a diagnosis or surgery has been completed, the patient may not fully comprehend the services performed. Moreover, he/she feels about the surgery performed by the doctors.

Heterogeneity

It is often impossible to assure homogeneity and consistency in service provided by a seller, because services are performances rendered by them. Hence no two services may be precisely alike. The service is performed and delivered by employees (people), and people differ in their performance. Heterogeneity also results because, two customers may not be precisely alike. Each will have unique demands or experience and may require the service in a unique way. For instance, take the case of a restaurant which is a hospitality service. One customer may prefer a crisp Masala Dosa with sambhar while another prefer soft Masala Dosa with coconut chutney. The cook has to prepare and serve according to their tastes. The heterogeneity connected with services is largely the result of interaction between employees and customers.

Simultaneous Production and Consumption

Most goods are produced first, then sold and consumed while services are sold first and then produced and consumed simultaneously. For example, an automobile may be manufactured in Mumbai, shipped to Delhi, sold two months later, and used over a period of years. But restaurant services cannot be provided until they have been sold and the dining experience is essentially produced and consumed at the same time. Similarly, in travel services, the ticket has to be bought first and then the travel service has to be availed of. Very often, the customer is present while a service is being produced thus the views of the customer are taken into account in the production process. For example, in the restaurant when one orders for a cup of coffee, he ask for strong coffee (more coffee, less milk) without sugar. Here the customer has influenced the process of coffee. Frequently, customers interact with one another during the service production process and thus effect one another's experiences. For example, strangers seated next to each other in an airplane may well affect the nature of the services experience for each other. Another outcome of simultaneous production and consumption is that service producers themselves playing as a part of the product itself and as an essential ingredient in the service experience for the consumer.

Perishability

Perishability refers to the fact that services cannot be saved or resold or returned. A seat on an airplane or in a restaurant, an hour of a lawyer's or telephone line capacity used cannot be reclaimed and used or resold at a later time. This is in contrast to goods that can be stored or resold another day, or even if the consumer is unhappy. It is not easy to reset a bad haircut nor is it possible to transfer it to another consumer. Perishability makes this an unlikely possibility for most of the services.

17.3 DIFFERENCE BETWEEN PRODUCT AND SERVICES

As we have discussed earlier, the basic difference between the products and services lies in their characteristics. Products are tangible. They have a physical shape and form therefore they can be seen, touched, felt whereas, service are just the opposite, they cannot be touched, felt or seen. Products are homogeneous, say for example, all the body soaps bought from anywhere in the world would be same, whereas the services are heterogeneous. If Mr. X go to a doctor for a particular illness and he is given the treatment and medication. The same treatment and medication will not be given to another patient. Product bought can be returned or resold. On the other hand services are perishable. They cannot be returned, resold or stocked. There is no transfer of ownership of the market offering in case of services as they are intangible, but in case of products, ownership is transferred to the buyers as soon as they purchase the commodity from the seller. Hence, there is an element of separability in case of products, whereas, in case of services they are not separable from the producer/ service provider. Although a Chartered accountant has given the consultancy services to his clients, the clients cannot separate the services from him.

In case of Products, they are first produced and then offered in the market. After buying, the consumer can consume it. Whereas, in case of service, the process is different. Consumer of services first buy those services and then they consume it. For instance, you call a hair stylist from Urbanclap, you pay for her services first and then get the services. In case of services, the production and consumption are simultaneous unlike the products. Services are heterogeneous in nature thus can be highly customized and individualized. Service provider can render services according to the specific need of every consumer. Whereas, in case of products, they cannot be totally individualized or customized. It can be done for a segment of customers.

Most importantly, in case of services, a producer cannot really take advantage of the sudden increase in its demand. Production of services cannot be increased according to the changing demand pattern. For example, in the situation like current pandemic situation, the healthcare facilities could not be increased according to the rising need to the patients. Hospital premises could

be increased, utilities could be increased up to certain extent but there could not be sudden increase in specialized healthcare service providers or staff such as doctors, nurses, ward boys etc. As a result of the differences between products and services and because of peculiar characteristics of services, marketers find it challenging to market the services. You will further learn in detail about the challenges in marketing of services in section 17.6.3.

Table 17.1: Difference between Products and Services at a glance

| Bases | Products | Services |
|---|--|--|
| Tangibility | Tangible, can be touched seen and felt. | Intangible, hence cannot be touched seen and felt. |
| Heterogeneity | Homogeneous in nature and they are standardized. | Heterogeneous in nature. |
| Seperabilityof market offerings | After purchase the products are separated from the producer and ownership is transferred from seller to the buyer. | Cannot be separated from service provider or producer. |
| Perishability | Not perishable, can be stored. | Perishable, hence cannot be stocked or stored. |
| Resale/return | Resold or returned as they are not perishable. | Cannot be resold or returned as the moment it is consumed, its utility is destroyed. |
| Customisation | Customisation is limited. | Highly customized or individualized as they can be delivered as per the specific requirement of the individual customer. |
| Evaluation of its want satisfying ability | Can be easily evaluated. | Evaluation is complicated here. |

17.4 INTERDEPENDENCE OF PRODUCTS AND SERVICES

Though, the products differ from services in many respects, there are so many inter-linkages between services and products in several instances. In fact, services and products complement each other in many cases. Sales prospects of products that are in need of substantial technological support and

maintenance will be badly affected if proper arrangement for service is not made. For this reason, the initial contract of sale of a product often includes a service clause. This practice is common in the case of many durable goods. In the case of TV s, cars, refrigerators, washing machines, etc., manufacturers provide free after sale service for a certain period. Similarly, the sale of computer hardware is critically linked to availability of proper servicing and software. Sellers of capital equipment often enter into maintenance contracts with buyers. These are some instances of services complementing products. Similarly, products also complement services. For example, an airline cannot exist without airplanes. Without rooms, furniture and kitchen equipment, a hotel cannot provide hospitality service. In the same way, hospitals (health care service) cannot provide services without using tangible products such as operation instruments, testing equipment, medicines, hospital buildings, etc.

There is an increasing recognition of this complementary nature of services and products. Manufacturing based industries (such as automobiles and computers) are recognizing the role of service in improving the competitiveness of a product. In many industries providing quality service is no longer simply an option. The quick pace of developing technologies makes it difficult to gain strategic competitive advantage through physical products alone. Customers not only expect high quality goods, but also expect high levels of service along with them. Companies are realizing the need to focus on service to keep pace with rising customer expectations and to compete effectively. Similarly, various services sectors are depending on quality products to improve their service quality. Good hospitals use the latest technical and testing equipment, hotels provide well furnished rooms, TV channels use the digital transmission equipment, banks use the ATM equipment, airlines use most comfortable airplanes, etc. Thus, continuous product improvement and service improvement are simultaneously going on in many sectors.

An important point which needs to be mentioned here is that when it comes to a marketing offer it becomes very difficult to draw a clear, demarcating line between product and service. According to T. Levitt, a renowned marketing specialist, “In almost every tangible pure physical product, an intangible service component is associated. Therefore, everybody is in service. ” Philip Kotler, one of the world’s leading authorities on marketing, classified a marketing offering into the following categories for establishing the product– services relationship:

- a) **Pure Tangible Good only:** The offering is only tangible goods such as toothpaste, soap, etc., but no services accompanying the product.
- b) **Tangible Good with Accompanying Service:** The offering consists of a tangible good accompanied by one or more service. Automobiles companies, for example, offers repairs, maintenance, warranty fulfillment, frees service up to a period or kilometers, and other services along with its cars. For more technologically sophisticated durable

products, the sales depend on accompanying services. Examples include computers, TVs, washing machines and many other durable goods. Industrial goods particularly Capital goods also require certain types of services along with the tangible product.

- c) **Hybrid:** The offering consists of equal parts of goods and services. For example, people go to the restaurants both for food and service.
- d) **Major Service with Accompanying Minor Goods and Services:** Here the offering is predominantly in the form of a service. Here consumer primarily goes for the quality of service but may give importance to accompanying minor goods and services. For example, Airlines not only provide the transportation as the major service, but also provide food, drinks, magazine and other facilities as accompanying minor goods and services.
- e) **Pure Services:** The offering consists primarily of service and no or very insignificant accompanying minor goods or services. For example, insurance, banking, psychotherapy, baby-sitting, hair cutting, etc.

Because of this varying nature of goods-to-service mix, it is difficult to generalize services without further distinctions. Services can be classified or distinguished as follows:

- i) Equipment based services (e.g. Automatic car washing, repair etc.) and people based services (e.g. accounting services, banking, etc.).
- ii) Services requiring presence of clients (e.g. surgery, hair cutting, etc.) and services not requiring presence of clients (e.g. banking, broking, etc.).
- iii) Services meeting personal needs (e.g. telephone, credit cards, etc.) and services meeting business needs (e.g. technical consultancy, call centre services, etc.).
- iv) Service providers with profit oriented objectives and service providers with non-profit oriented objectives.
- v) Service enterprises under private sector and service enterprises under public sector.

17.6 SERVICES CLASSIFICATION

A large number of classification schemes for services have been developed to provide strategic insights in managing them. Utilizing different bases, these schemes allow us to understand the nature of the service act, the relationship between service organization and its customers, the nature of service demand and the attributes of a service product. Let us discuss the schemes briefly.

1) The Nature of the Service Act

Using the two dimensions of tangibility of the service act and to whom services are directed at, Lovelock classified services according to the fact

whether services are directed at people or possessions, at minds, physical possessions or assets. Table 17.2 will help you understand this classification scheme.

Table 17.2 Nature of the Service Act

| Nature of the Service Act | Services Directed At | |
|----------------------------------|---|--|
| Tangible Action | People | Possession |
| | Services directed at peoples bodies Healthcare, Salons, Restaurants, Transportation | Directed at goods, Physical possessions Transportation, Laundry/Dry-cleaning, Lawn care. |
| Intangible Action | Services directed at people’s minds Education, Broadcasting, Information, Museums. | Services directed at intangible assets Banking, Legal Services, Insurance, Accounting |

2) Relationship between Service Organisation and Customers

In the service sector both institutional and individual customers may enter into continuing relationships with service providers and opt for receiving services continually. Services can therefore be classified on the basis of whether the nature of the relationship is continuous or intermittent and whether a consumer needs to get into a membership relationship with the service organisation to access and utilize the service.

Table 17.3: Services and Customer Relationships

| Type of Relationship | | |
|-----------------------------|--|---|
| Nature of Delivery | Membership | Non-Membership |
| Continuous | Insurance Education Banking | Police protection Public highway |
| Discrete | Theatre seat subscription Commuter tickets | Car rental, Pay telephone Restaurant |

3) How the Service is Delivered

Lovelock has used two issues of number of delivery sites (whether single or multiple) and the method of delivery to classify services in a 2 x 3 matrix. The implications here are that the convenience of receiving the service is the lowest when the customer has to come to the service and must use a single or specific outlets. As his options multiply, the degree of convenience can go on rising, from being able to choose desirable sites, to getting access at convenient locations.

Table 17.4: Services delivery modes

| Service Delivery Modes | | |
|--|----------------------------------|--|
| Nature of Interaction between Customer and Organisation | Availability of Outlets | |
| | Single site | Multiple site |
| Customer goes to service organisation | Theatre | Bus Service Fast Food Chain |
| Services organisation comes to the customer | Lawn care Pest control | Mail delivery Emergency auto repair |
| Customer and organisation transact business at arms length | Credit cards Local TV station | Telephone company Broadcasting |

4) Proportion of Tangibility and Intangibility

Using the characteristic of intangibility of services, Shostack proposed that all goods and services can be placed on a tangibility intangibility continuum. This is done with services clustering towards low to high intangibility. Accordingly, services can be classified as those with a low intangibility content (a fast food restaurant) and a pure service, having very high intangibility content (education, consultancy, medical advice).

5) Service Inputs

Services based on this criterion have been classified as primarily equipment based or primarily people based service depending upon which input is primarily applied to get service outputs. The equipment based services can be further classified according to whether they are fully automated, or consist of equipment monitored by un skilled persons (lift operators, delivery van personnel) or need the presence of skilled personnel to man the equipment (quality control, diagnostic services).

6) Contact between the Consumer and the Service Provider

Services also differ in the extent of contact that needs to be maintained between the User and Provider. The marketing implication in this case being the necessity of physical presence of the provider as well as need to manage desired quality of personnel in case of high contact services. On this basis all services can be classified as high contact or low contact services, depending upon the time a user needs to spend with the service organisation/provider in order to utilize/acquire the service. Examples of low contact services are telecommunications, dry-cleaning and broadcasting while high contact services are education, hospitality, theatre performance.

7) Profit and Public vs Private Services

Service can also be classified on the basis of whether they are primarily directed at public at large or primarily at individuals. The public services include utilities and infrastructural services like transport and communication. They also include services provided by the state for public welfare like hospitals, educational and vocational institution, parks and museums etc. The private services on the other hand include the whole gamut of services designed for and consumed by customers as individuals e.g., restaurants, beauty care and medical advice. The implications underlined by this classification manifest themselves in issues regarding planning and design of service for public vs. private consumption. Involved here are issues of process, volume and distribution of services when they are designed as public services. Services have also been classified by Kotler as services designed for profit and nonprofit services, depending upon the marketing objectives to be pursued in the exchange of services.

Check Your Progress A

- 1) Fill in the blanks:
 - i) are a series of deeds, processes and performances.
 - ii) The basic difference between goods and services is
 - iii) Services cannot be from the service provider or producer.
 - iv) On the basis of relationship between service organisation and customers, service can be classified as service.
 - v) Education, hospitality and theatre performance are contact services.
- 2) State whether the following statements are True or False:
 - i) The output of services are physical products.

- ii) Perishability refers to the fact that services cannot be saved or resold or returned.
- iii) Services have the characteristic of homogeneity.
- iv) A fast food restaurant is an example of a pure service.
- v) Services and products complement each other in many cases.

17.6 MARKETING OF SERVICES

Marketing theory and practice were developed initially in connection with physical product such as soaps, cars, and other tangible products. However, in the recent years there has been a phenomenal growth of services. We find this trend world-wide. More and more tangible or physical products now contain a service component, both to meet the needs of the targeted customer segment and to create a distinctive differentiation for competitive reasons. Many manufactured goods are supported by services such as warranties or guarantees.

There are a large number of companies who are mainly in the service business. Service industries vary greatly in terms of services they provide and their size. In the present world of information era, many service industries such as banking and other financial services are not only the mainstay of economy but also dominating Internet and e-commerce.

Academicians and marketing experts have brought to light the specific characteristics of services which we have discussed in the previous section and come to know that services differ from goods in many aspects therefore different marketing approach is necessary for services. This need gives rise to the concept of service marketing. This does not mean that the traditional marketing philosophies, methods and techniques are totally irrelevant to the services sector. In fact, the fundamentals of marketing are the same for both the sectors. What is required is the development of an adaptable mechanism to a different environment, keeping in view the service characteristics. Thus, service marketing is nothing but the application of suitably modified and customized traditional marketing philosophies to the services sector.

Services marketing is a sub-field of marketing, where the traditional marketing philosophies are modified and customized to suit the needs of the service sector. It includes marketing of different forms of services such as telecommunication services, financial services, hospitality services, rental services, travel services, health care services and professional services.

17.6.1 The Services Marketing Mix

The unique characteristics of services make the traditional 4 P marketing mix seem inadequate. Careful management of these 4 Ps - Product, Price, Place and Promotion though essential, are not sufficient for successful marketing of

services. Further the strategies for the four Ps require some modification while applying to services.

Since services are produced and consumed simultaneously, the contact personnel or the service delivery personnel become extremely important. It is during these encounters of service providers and customers i.e. the process - on which a lot depends with regards to the final outcome as well as the overall perception of the service by the customer. The actual physical surroundings during these encounters have also a substantial bearing on the service delivery. All these facts lead to the development of an expanded marketing mix with three new P's added to the traditional mix. These are:

People: All human actors who play a part in service delivery thus influence the buyer's perceptions; namely, the firm's personnel, the customer, and other customers in the service environment.

Physical evidence: The environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

Process: The actual procedures, mechanisms and flow of activities by which the service is delivered - the service delivery and operating system

Because of the simultaneous production, delivery and consumption of services, the nature of marketing departments and marketing functions become quite different as compared to goods. The marketing function - all activities which influence the preferences of the consumers towards the offerings - is mainly handled by marketing departments in case of goods. Here as far as consumers are concerned, marketing departments (the organisational entity which is responsible for some, but not necessarily all marketing activities performed by the firm) can plan and implement most of the marketing activities i.e., the marketing department is able to control almost the total marketing function. In the service sector the situation is entirely different. A traditional marketing department in services can only control a minor part of the marketing function. Usually, it does not have the necessary authority to manage the buyer/seller interaction. The marketing department therefore, cannot plan and implement activities pertaining to interactive marketing function.

Therefore the marketing function, which is a key function in service sector require a special treatment. The total marketing in services include three different types of marketing as shown in Figure 17.1.

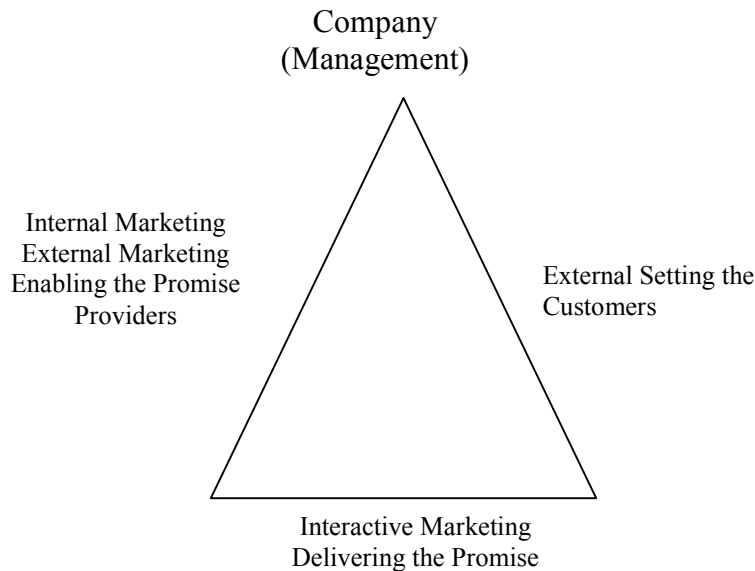


Figure 17.1: The Services Marketing Triangle

As can be seen from the triangle, the traditional marketing mix and marketing departments basically address to 'External Marketing' only. However, all three sides, are critical to successful services marketing and the triangle can't be supported in the absence of any one of the sides.

17.6.2 Marketing Strategies for Service Firms

Service firms started using marketing tools very late. Traditional 4Ps work well for tangible goods, but additional elements are required in case of services. These additional Ps are (i) physical evidence, (ii) processes, and (iii) people. Because most services are provided by people, the selection, training and motivation of employees can make a huge difference in customer satisfaction. Companies also try to demonstrate their services quality through physical evidence. Example hostel, banks with atmospherics can show quality of service.

Service firms can choose among different processes to deliver their services. For example, installation of ATM by banks, Teller system, hospitals etc. In view of the complexity, service marketing requires not only external marketing, but also internal and interactive marketing. External marketing describes the normal work to prepare, price, distribute and promote the service to customers. Internal marketing describes the work to train and motivate employees to serve customers well (you will learn more about internal marketing in Unit 20). The interactive marketing describes the employees' skills in servicing the clients/customers.

Although services are intangible but we can create some sense of tangibility in it by creating a nice physical evidence. For example, in hospitality sector or in restaurants, creating an attractive cozy ambience can give a different feeling to the customers. We can understand the importance of the extended three Ps in making strategies by the services firm, by taking an example of a spa or beauty salon. First impression is created at the reception counter.

Customers' first encounter is with the receptionist. The communication and behavior of the receptionists decide whether a new client entering into the spa will be converted into a customer or not. In addition to that the whole process of attending the customers and taking them to the chambers and quality of delivered services will make an impact on the decision of the customers. The ambience and the aroma plays a very important role in having delighted customers, besides the services that are rendered to them at the centers.

Thus while formulating marketing strategies, a service firm needs to take into consideration all the seven Ps of marketing i.e., Product Decision, Price Decision, Promotion Decision, Place Decision, People Decision, Process Decision and Physical evidence Decision.

17.6.3 Challenges in Marketing of Services

Owing to the peculiar characteristics of the services, marketers in service business face a unique set of challenges while formulating the effective marketing strategy. Although these challenges are innate, they can always be worked upon. The traditional marketing mix is composed of the 4 Ps viz., product price, promotion and place (distribution). These elements appear as core decision variables in any marketing plan. All these four variables are interrelated, and there is an optional mix of the four factors for a given market segment at a given point of time. Though, conceptually marketing of services is no different from marketing of products, the strategies of the 4 P's, however, require some modifications when applied to services. Because of the significant differences between goods and services, marketers of services face some distinctive challenges. Such challenges revolve around understanding customer needs and expectations, and the efforts to keep promises made to customers. The basic differences between products and services, and the associated marketing implications, are shown in Table 17.5

With adequate focus on the 7 PS (Product, Price, Promotion, Place, people, process and physical evidence) of services mix, marketers develop a marketing strategy that suits best for the services that they are offering. It is needless to mention here that extra focus is to be given on the extended Ps i.e., People, Process and Physical evidence. While delivering the services the marketers have to consider the expected outcome of the services rendered to the customers. Also, marketers have to thoroughly keep in mind the people and the process involved in delivering the service. People who are interacting with the customer as first communicator of the firm can really play a very important role. For instance, you go to a hotel room and the guard who is welcoming you at the doorstep while opening the doors for you may have a huge impact in the minds of the customers. Similarly, the processes through which the services are rendered are also the decision points for the customer, thus, deciding the fate of marketing. If the process is soothing and pleasing, half battle is won there. Say, you are going to take corona vaccine, the process through which vaccine is administered, also plays a very important role. Although services cannot be touched or seen but there are some physical

evidences of the services, such as a beautiful hotel room with clean towels and new toiletries.

Table 17.5: Differences between Products and Services, and the Associated Marketing Challenges

| Goods | Services | Resulting Marketing Implications |
|--------------------------------------|---|---|
| Tangible | Intangible | Services cannot be inventoried. Services cannot be patented. Services cannot be readily displayed or communicated Pricing is difficult |
| Standardised | Heterogeneous | Service delivery and customer satisfaction. Depend on employee actions . Service quality depends on many uncontrollable factors. There is no sure knowledge that the service delivered matches what was planned and promoted |
| Production separate from consumption | Simultaneous production and consumption | Customers participate in and affect the transaction Customers affect each other Employees affect the service outcome. Decentralization may be essential. Mass production is difficult. |
| Non-Perishable | Perishable | It is difficult to synchronize supply and demand. Services cannot be returned or resold. |

Source: Valarie A. Zeithaml and May Jo Bitner. Services Marketing, McGraw Hill, New York.

Intangibility presents several marketing challenges. As services cannot be inventoried, fluctuations in demand are often difficult to manage. For example, there may be very huge demand for hotel accommodation in Shimla in summer as against low demand in winter. Yet, hotel owners have the same number of rooms to sell year-round. Services cannot be patented legally. Hence, new service concepts can be easily copied by competitors. Since

services cannot be readily displayed or easily communicated to customers, it may be difficult for consumers to assess the quality of a particular service before use. Decisions about what to include in advertising and other promotional materials may prove challenging, as is pricing. The actual costs of a unit of service are hard to determine and the price/quality relationship is complex. As services are not tangible, it is not possible to provide samples and significant physical evidence. The physical evidence of services includes all of the tangible representations of the service such as brochures, letterhead, business cards, report formats, and equipment. These physical evidence cues provide excellent opportunities for the firm to send consistent and strong messages regarding the organization's purpose, the intended market segment, and the nature of the service.

The intangibility of the service reduces the marketers' ability to provide samples. This makes *communicating the service offer much more difficult than communicating a product offer*. Brochures or catalogues explaining services often must show a "proxy" for the service in order to provide the prospective customer with tangible clues. A cleaning service for instance, can show a picture of an individual removing trash or cleaning a window or even a photograph of a clean room. However, the picture will not fully succeed in communicating the quality of service.

As services are heterogeneous ensuring consistent service quality is challenging. Further, quality depends on many factors that cannot be fully controlled by the service supplier, such as the ability of the consumer to articulate his or her needs, the presence (or absence) of other customer, and the level of demand for the service etc. Because of these complicating factors, a marketer is often not sure whether the service is being delivered as originally planned and promoted. All associated problem is that, unlike in the case of products there is no objective yardstick to determine the quality of a service. Laboratory tests can establish the quality of a product but the quality of service is dependent on the perception of the customer.

Since services often are produced and consumed simultaneously, mass production is difficult, if not impossible. Moreover, it is not usually possible to gain significant economies of scale through centralized production. Usually operations need to be relatively decentralized so that the service can be delivered directly to the consumer in convenient locations. Also because of simultaneous production and consumption, the customer is involved in and observes the production process thereby affecting (positively or negatively) the outcome of the service transaction. Some customers call cause problems in the service setting, leading to lowering of customer satisfaction. For example, in a cinema theatre, one person misbehaving with other audience can create negative experience to the entire audience and may become a dissuading factor next time.

As services are perishable, they cannot be stored for future consumption. Hence, demand forecasting and planning for capacity utilisation are

challenging decision areas for marketers. The fact that services cannot typically be returned or resold implies the necessity for strong recovery strategies when things do go wrong. For example, while a bad haircut cannot be returned, the hairdresser should have strategies for recovering the customer's goodwill when such a problem occurs. The hair dresser may, by refunding the charges collected from the customer, perhaps, recover part of the goodwill lost.

The role of personnel deserves special consideration in the marketing of services. Because the customer interface is intense, proper provisions need to be made for training personnel. Major emphasis must be placed on appearance and behavior. Most of the time, the person delivering the service (rather than the service itself) will communicate the spirit, values and attitudes of service provider. All human actors who play a part in service delivery influence the buyer's perceptions and provide cues to the customer regarding the nature of the service itself. How these people are dressed, their personal appearance, their attitudes and the way they interact with customers, all influence customer's perceptions of the service. Therefore, the role of service provider or contact person is very important.

The areas of pricing and financing require special attention. Because services cannot be stored, much greater responsiveness to demand fluctuation must exist and therefore, much greater pricing flexibility must be maintained. Hotels offering discounts in room tariff during off seasons is part of the flexible pricing strategy. The intangibility of services also makes financing more difficult. Financial institutions are less willing to provide financial support to services than for products. This is because of three reasons: (a) the value of services is more difficult to assess, (b) service performance is more difficult to monitor, and (c) services are difficult to repossess. Therefore, receiving payments may be much more troublesome for a financier in the case of services than products. This poses a challenge to the marketer of services in procuring finances.

Usually, *short and direct channels are required for marketing of services.* Closeness to the customer is of overriding importance in order to correctly understand what the customers want, to reach them fast with minimum cost; to monitor the flow and utilization of services, and to assist the construct in obtaining a truly tailor made service.

17.7 PRODUCT SUPPORT SERVICES

Product support services play a very important role in acquiring and retaining the customers into the business. When the customers buys a tangible product, they not only buy that product but also various other solutions that are associated with the product. For example, when a customer buys a smart phone or any other electronic gadgets (commodities), she is provided with the manuals, product information booklet, warranty, guarantee and other after

sales services. The marketer may also include free services, maintenance etc. Besides, the way in which the consumers' grievances and complaints are handled, the response time, installation facilities, product demonstration etc. also plays a very important role in acquiring and maintaining a loyal customer in the business. These are called **product support services**. Better the services higher shall be the foot fall of the customers in the stores. This also gives an edge to the marketer's vis-à-vis the competitors in the market. This is one of the important ways, in which, the marketer can differentiate the product in the market. These product support services increase the customer loyalty and enable customer retention. Goodwill and credibility of the marketer and the product, depends, up to a large extent, on the product support services that are provided to the customers.

Check Your Progress B

1) Fill in the blanks:

- i) The various other solutions that are associated with the product in the form of warranty, guarantee, maintenance, installation etc. are called
- ii) Usually, channels are required for marketing of services.
- iii) The extended Ps of service marketing are
- iv) The intangibility of the service reduces the marketers' ability to provide
- v) refers to the actual procedures, mechanisms and flow of activities by which the service is delivered

2) State whether the following statements are True or False:

- i) The role of service provider or contact person is not important in marketing of services.
- ii) Elements of marketing mix for services are different from tangible products.
- iii) Quality of service is dependent on the perception of the customer.
- iv) Product support services decreases the customer loyalty and disable customer retention.
- v) Some sense of tangibility in services can be created by creating a nice physical evidence.

17.8 LET US SUM UP

The term service is rather general in concept and includes a wide variety of services. Services are essentially performances. Marketing of services needs a

different treatment because of the unique characteristics of services that distinguish them from products. These characteristics are intangibility, heterogeneity, inseparability and perishability. Due to these characteristics services marketing includes three additional marketing mix elements viz. People, Physical Evidence and Process.

Any market offering that is intangible is called services. The services are separately identifiable, essentially intangible activities which provide want satisfaction, and which are not necessarily tied to the sale of a product or another service. For example, hospitals, hotels, universities, banks, insurance companies, transport firms, fire departments, police and post office.

Services marketing mix consists of 7 Ps of marketing i.e. Product, Price, Promotion, Place, People, Process and Physical Evidence.

While formulating marketing strategies, a service firm needs to take into consideration all the seven Ps of marketing i.e. Product Decision, Price Decision, Promotion Decision, Place Decision, People Decision, Process Decision and Physical evidence Decision.

Owing to the peculiar characteristics of the services, marketers in service business face a unique set of challenges while formulating the effective marketing strategy. Although these challenges are innate, they can always be worked upon.

Product support services play a very important role in acquiring and retaining the customers into the business. Product support services increase the customer loyalty and enable customer retention. Goodwill and credibility of the marketer and the product, depends, up to a large extent, on the product support services that are provided to the customer

17.9 KEYWORDS

Hybrid Offering: it consists of equal parts of goods and services.

People: all human actors who play a part in service delivery thus influence the buyer's perceptions; namely, the firm's personnel, the customer, and other customers in the service environment.

Physical Evidence: the environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

Process: the actual procedures, mechanisms and flow of activities by which the service is delivered - the service delivery and operating system.

Pure Services: it consists primarily of service and no or very insignificant accompanying minor goods or services.

Pure Tangible Goods: when the offering is tangible goods only with no services accompanying the product.

Services: the services are separately identifiable, essentially intangible activities which provide want satisfaction, and which are not necessarily tied to the sale of a product or another service.

17.10 ANSWERS TO CHECK YOUR PROGRESS

A. 1. i. services ii. intangibility iii. separated iv. continuous and discrete v. high

2.i. False ii. True iii. False iv. False v. True

B. 1. i. Product support services ii. short and direct iii. people, process and physical evidence iv. samples v. process

2. i. False ii. True iii. True iv. False v. True

17.11 TERMINAL QUESTIONS

- 1) What do you understand by the term service? Discuss the characteristics of services.
- 2) Differentiate between products and services giving suitable examples.
- 3) Discuss the various classification schemes for services with examples.
- 4) “Though, the products differ from services in many respects, there are so many inter-linkages between them”. Comment
- 5) Discuss the challenges faced by a marketer while formulating an effective marketing strategy for services.
- 6) Briefly discuss the service marketing mix and service marketing triangle.
- 7) Owing to the peculiar characteristics of the services, explain the marketing strategies adopted by service firms.

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| <p>Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University for assessment. These are for your practice only.</p> |
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