

# SERVICES AND FINANCIAL SERVICES MARKETING

## Session-1: Introduction to Services



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# DEFINITION



- Service is a “deed, a performance, an effort” (Rathmell, 1966).
- It is intangible.
- It doesn’t result in ownership.
- It may or may not be attached with a physical product.
- Examples- Financial planner, Doctor, Lawyer etc.

# EXAMPLES OF SERVICE INDUSTRIES



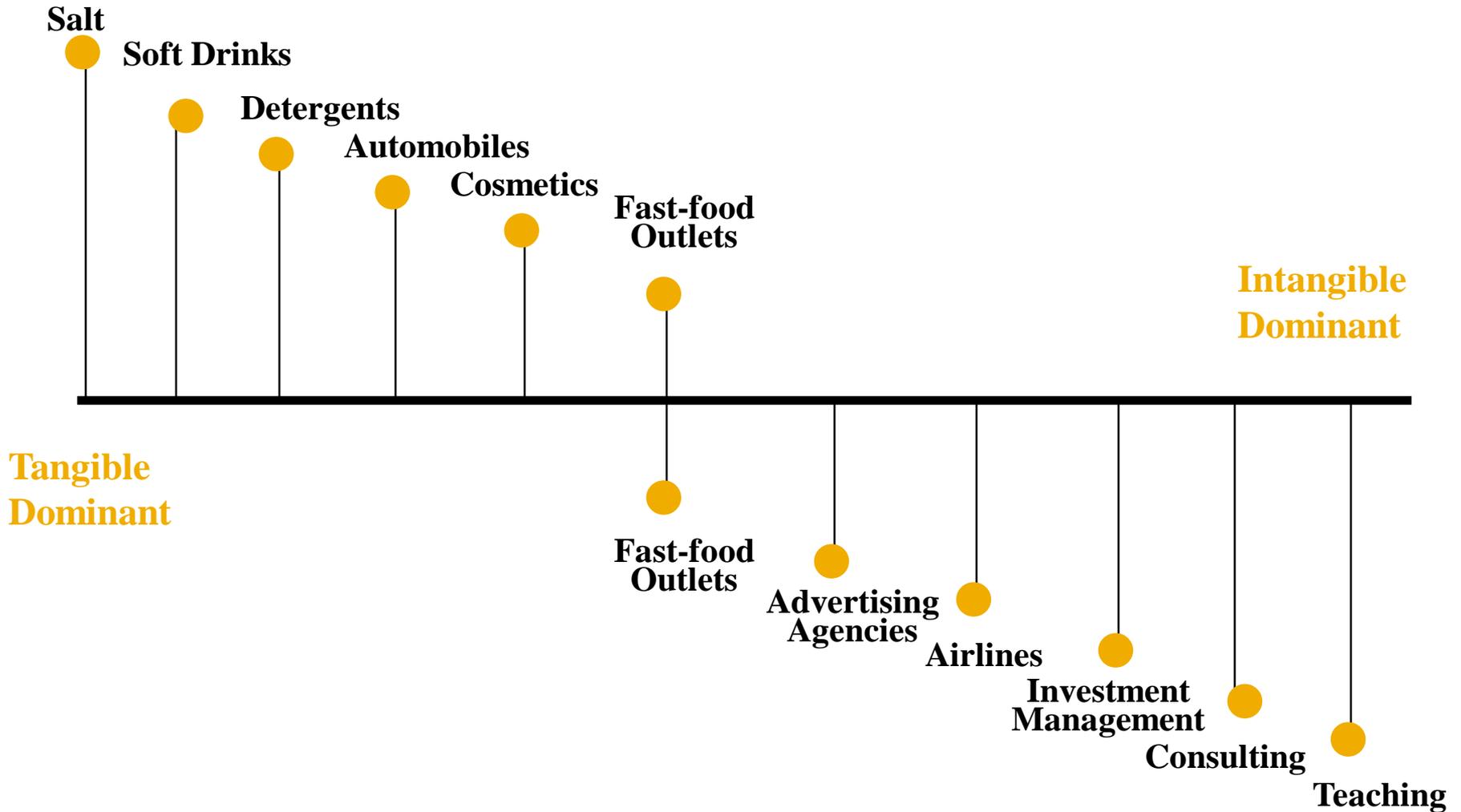
- **Health Care**
  - hospital, medical practice, dentistry, eye care
- **Professional Services**
  - accounting, legal, architectural, IT
- **Financial Services**
  - banking, investment advising, insurance
- **Hospitality**
  - restaurant, hotel/motel, resorts
- **Travel**
  - airlines, cruise, travel agencies
- **Others:**
  - hair styling, pest control, plumbing, lawn maintenance, counseling services, health club

# SERVICE SECTOR IN INDIA



<b>Industry wise Sector Contribution to GDP &amp; Employment (in bracket figures)</b>	<b>India</b>	<b>USA</b>	<b>China</b>
Agriculture and Allied	15.4% (53%)	8% (2%)	7% (26%)
Manufacturing and Industry	23% (22%)	12% (19%)	40% (28%)
Services* (*IT contributes the majority)	61.6% (25%)	80% (79%)	53% (46%)

# TANGIBILITY SPECTRUM



# GOODS VS SERVICES



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

# CHARACTERISTICS OF SERVICES



- Intangibility
- Heterogeneity
- Inseparability
- Perishability

# THE THREE ADDITIONAL 'P'S OF SERVICE MARKETING



- People
- Physical evidence
- Process

# QUALITIES OF SERVICES



- Search qualities
- Experience qualities
- Credence qualities

# MOMENTS OF TRUTH



- It is the customer – service encounter.
- Every positive or negative experience of the consumer would have an impact on the overall service experience.

**In services, the last experience remains uppermost in your mind. Therefore, it is not enough to be good, you have to be consistently good.**

# MARKETING CHALLENGES CAUSED BY INTANGIBILITY



- Services cannot be stored.
- Services cannot be protected through patents.
- Hard to explain and display Services if you can't see them.
- Prices are difficult to set - depends on customers expectations.

# INTANGIBILITY: MARKETING STRATEGIES



- Stress tangible cues, eg. “the power of the pyramid”- shape of Transamericas office building.
- Focus on the service’s benefits and satisfaction.
- Use word-of-mouth
- Contacting customers after they buy to stimulate continued enthusiasm and hope they “talk it up”.
- Visualization of service.

# MARKETING PROBLEMS CAUSED BY HETEROGENEITY



- **It is very difficult to standardize services and to have quality control!**
- Eg. A machine can make ice cream cones a standard size 100% of the time.
- A person filling an ice cream cone with a scoop cannot do the same amount each time, unless you use a machine to dispense the ice cream.

# HETEROGENEITY: MARKETING STRATEGIES



- Customise the service

Disadvantage:

- the customers may not be willing to pay more
- time issue

- Standardize the service

- intensive training to personnel
- substitution of human labor to machines (ATM)

# MARKETING PROBLEMS CAUSED BY INSEPARABILITY



- Many people involved in delivering a service
- Service provider must be physically present to deliver service.
- Customer is involved in the production process  
eg A university class.
- Involvement of other customers in the production process eg. Smokers violating space of non smokers in restaurants.
- Mass production of services is hard to do.

# INSEPARABILITY: MARKETING STRATEGIES



- The service organization must select and train their employees well.
- They must have many locations so that customers can get to them, and they can manage local specialities.  
Ex KFC
- Consumer management  
ie. Home delivery

# MARKETING PROBLEMS CAUSED BY PERISHABILITY



- Demand fluctuates and changes, so it becomes difficult to match demand and supply.
- eg. Place in the restaurant at noon can not be stored to be used in the evening.

# PERISHABILITY : DEMAND STRATEGIES



- Creative pricing eg. Pop Tate's Happy hours
- Reservation systems
- Development of complementary services  
eg. Newspapers or TV in waiting rooms
- Development of nonpeak demand  
eg. Employees crosstrained to serve other customer segments as Mcdonalds breakfast.

# PERISHABILITY : SUPPLY STRATEGIES



- Capacity sharing eg. Hospital's cabin allotted to another patient when the first patient gets shifted to ICU after a surgery.
- Prepare in advance for future expansion.
- Utilization of third parties for eg. Travel agents, OYO, Swiggy, Zomato etc



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