

SERVICES MARKETING

References

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Services

SERVICE IS ANY ACT OR PERFORMANCE THAT ONE PARTY CAN OFFER TO ANOTHER THAT IS ESSENTIALLY INTANGIBLE AND DOES NOT RESULT IN ANY OWNERSHIP

PHILIP KOTLER

**There are no such thing as service industries.
These are only industries whose service
components are more or less greater than
those of other industries. Everybody is in
service.**

Services Sector

The various sectors that combine together to constitute service sector/industry in India are:

- Trade
- Hotels and Restaurants
- Railways
- Other Transport & Storage
- Communication (Post, Telecom)
- Banking
- Insurance
- Dwellings, Real Estate
- Business Services
- Public Administration; Defence
- Personal Services
- Community Services
- Other Services

Services Sector in USA

- In 2007, the service sector contributed almost 78.5% and the industrial sector contributed 20.5% towards USA's GDP.
- Information, retail, scientific, technical and professional services form the major parts of this sector.
- If net income is taken into consideration, then finance and insurance services feature as the top business option.
- Though agriculture is a major industry, yet its contribution is only 1% towards the GDP.

Services Sector of India

- The services sector has been at the forefront of the rapid growth of the Indian economy, contributing nearly 63 per cent of the GDP in 2007-08.
- The sector has come to play an increasingly dominant role in the economy accounting for 59.6 per cent of the overall average growth in GDP in the last eight years between 2000-01 and 2007-08.
- As per the Central Statistical Organization, the services sector has continued to grow in the first quarter of 2009-10.
- There has been a 9.4 percent growth in the Indian economy during 2006-07 as against a rise of 9 percent in the same during 2005-06. During this growth in Indian economy, the service sector witnessed a rise of 11 percent in the year 2006-07 against the 9.8 percent growth in 2005-06.

Services Sector of India

- The service sectors of Indian economy that have grown faster than the economy are as follows: Information Technology (the most leading service sectors in Indian economy)
 - IT-enabled services (ITeS)
 - Telecommunications
 - Financial Services
 - Community Services
 - Hotels and Restaurants

Services Sector of India

- There has been a 13 percent hike in the service sectors of trade, hotels, transport and communication in India's economy as compared to the 10.4 percent rise in the previous year.
- The financial services that comprise of banks, real estate, insurance, and business services witnessed a rise of 11.1 percent during 2006-07 against the 10.9 percent growth in the previous year.
- Service sectors including community, social, and personal services experienced a growth of 7.8 percent during 2006-07 as against 7.7 percent growth in the previous year.
- This sector dominates with the best jobs, best talent and best incomes

Services Sector of India in Global Market

The service sector of India has also witnessed a remarkable rise in the global market apart from the Indian market. It has experienced a rise of 2.7 percent in 2006 from that of 2 percent in 2004. The broad-based services in the trade sector has undergone a large-scale rise. A statistics concerning the growth of India's service sectors are listed below: The software services in Indian economy increased by 33 percent which registered a revenue of USD 31.4 billion

- Business services grew by 82.4 percent
- Engineering services and products exports grew by 23 percent and earned a revenue of USD 4.9 billion
- Services concerning personal, cultural, and recreational had a growth of 96 percent
- Financial services had a rise of 88.5 percent
- Travel, transport, and insurance grew by 23 percent

Indicators of Well Performance

- Foreign tourist arrivals (FTAs) during January to August 2009 were 3.26 million.
- Railways freight traffic increased to 833.03 million tonnes during fiscal 2008-09 from 794.21 million tonnes carried during 2007-08, an increase of 4.89 per cent.
- Approximately 14.25 million telephone connections, including wire line and wireless, were added during July 2009, taking the total number of telephone connections at the end of July 2009 to 479.07 million.
- Cargo handled at major ports during April–December 2008–09 has been 391.80 MT as against 378.82 MT in the corresponding period last fiscal.

Difference between physical goods and services

Physical goods	Services
tangible	intangible
homogeneous	heterogeneous
Production and distribution are separated from consumption	Production, distribution and consumption are simultaneous processes
A thing	An activity or process
Core value processed in factory	Core value produced in the buyer-seller interaction
Customers do not participate in the production process	Customers participate in production
Can be kept in stock	Cannot be kept in stock
Transfer of ownership	No transfer of ownership

Most products have a service component

They could be

- Equipment based
- People based – varying skill levels

Services could meet

- Personal needs – haircuts, tuition, massage parlours
- Business needs – courier services, office cleaning services, delivering fresh flowers

Characteristics of services

- Intangibility
- Inseparability
- Heterogeneity
- Perishability
- Ownership

The three additional 'P's of Service Marketing

- People
- Physical evidence
- Process

Qualities of services

- Search qualities
- Experience qualities
- Credence qualities

Differentiation in services

- Offering
- Faster and better delivery
- Image

Moments of truth

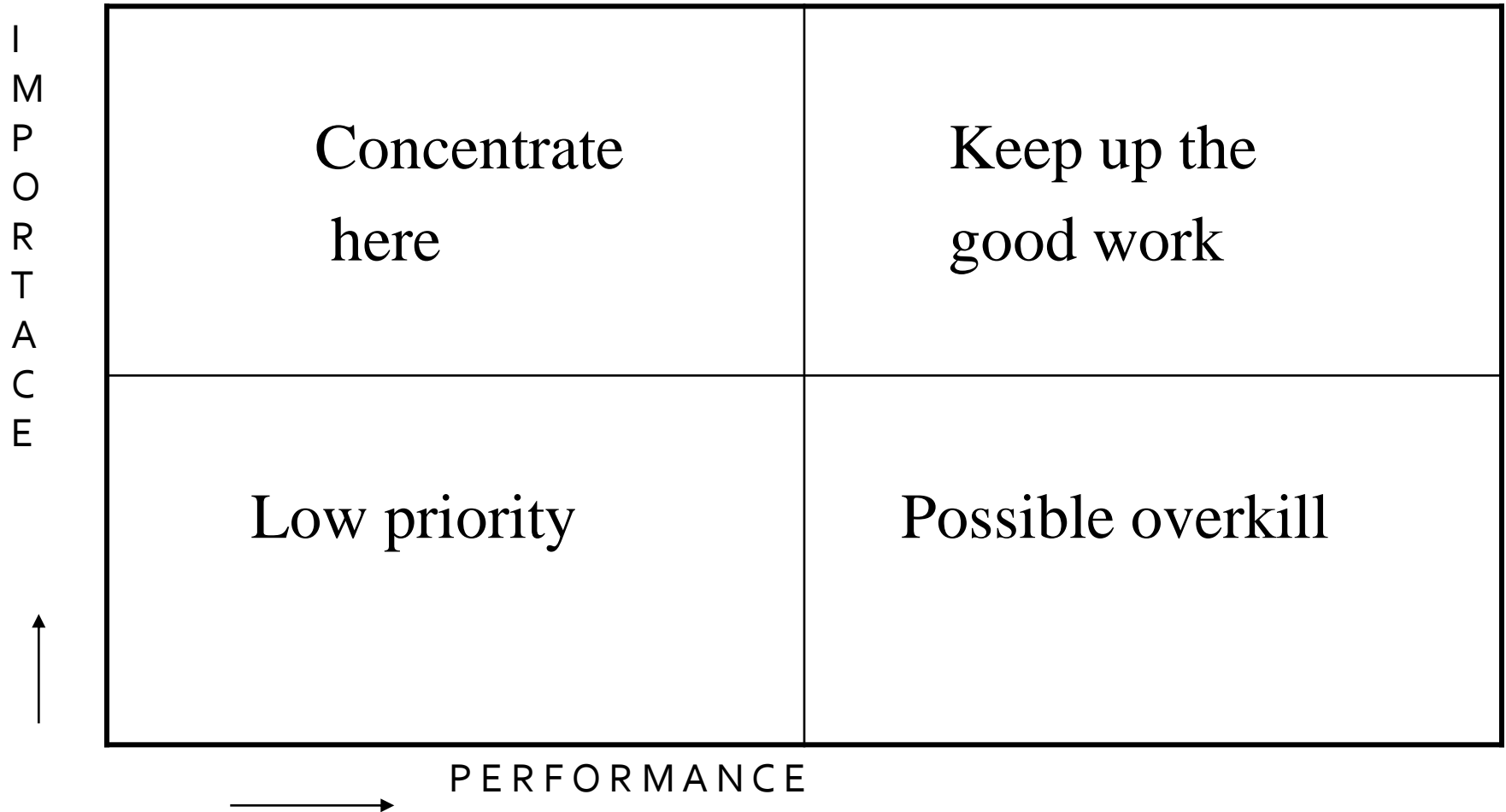
- It is the customer – service encounter.
- Every positive or negative experience of the consumer would have an impact on the overall service experience.

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

Services Monitoring

- Continuous auditing of competitor service levels versus own company
- Importance - performance analysis

Importance – Performance Analysis



**Service quality is directly
proportional to
employee satisfaction.**

When customers visit a service establishment

Their satisfaction will be influenced by

- Encounters with service personnel
- Appearance and features of service facilities – exterior and interior
- Interactions with self service equipment
- Characteristics and behaviour of other customers

Customer Service Expectations

- Desired Service – the 'wished for' service
- Adequate Service – the service that would be acceptable

Zone of Tolerance

Difference between the desired service and the adequate service

Service Encounter Themes

- Recovery
- Adaptability
- Spontaneity
- Coping

Recovery

Don't

- Ignore customer
- Blame customer
- Leave customer to find for himself
- Downgrade
- Act as if nothing is wrong
- 'pass the buck'

Do

- Acknowledge problem
- Explain causes
- Apologise
- Compensate/upgrade
- Lay out options
- Take responsibility

Adaptability

Don't

- Promise and fail to keep them
- Show unwillingness to try
- Embarrass the customer
- Laugh at the customer
- Avoid responsibility

Do

- Recognise the seriousness
- Acknowledge
- Anticipate
- Accommodate
- Adjust
- Explain rules/policies

Spontaneity

Don't

- Exhibit impatience
- Yell/laugh/swear
- Steal from customers
- Discriminate
- Ignore

Do

- Take time
- Be attentive
- Anticipate needs
- Listen
- Provide information
- Show empathy

Coping

Don't

- Take customer's dissatisfaction personally
- Let customer's dissatisfaction affect others

Do

- Listen
- Try to accommodate
- Explain
- Let go of the customer

Types of complainers

- Passives
- Voicers
- Irates
- Activists

Customer complaints

- It pays to resolve customer complaints
- On an average only 5 % dissatisfied customers complain. Others simply go over to the competitor
- A satisfied consumer speaks to an average of 3 people on his/her experience
- A dissatisfied consumer gripes to on an average 11 persons about his/her unpleasant experience

Companies that pay importance to resolving customer complaints

- Pay attention to quality and training of manpower recruited
- Have clear benchmarks on service quality and communicate to employees
- Take remedial steps to improve customer satisfaction and prevent repeats of customer dissatisfaction
- Have a data base on customer complaints that is periodically analysed and policies adjusted

Satisfied employees will produce satisfied customers

- Morale
- Motivation
- Mood

Managing Service Productivity

- Giving quality service is an expensive business
- Not every consumer is willing to pay extra for service quality
- Service providers would have to find their optimum service quality/cost ratios
- Can technology substitute part of the labour content?
- Can customers substitute part of the labour content?
- Making services obsolete by product innovations

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
- Use personal information, sources, references
- Use word-of-mouth
- Contact customers after they buy to stimulate continued enthusiasm and hope they “talk it up”
- Creation of strong organisational image: GE

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. Taking medicines
- 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

- Select and train your people well
- Have many locations so customers can get to you, and you can manage local specialities
- Consumer management
ie. Reservation systems, home delivery

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 Perishability

Demand fluctuates and changes, 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. Happy hours
- Reservation systems
- Development of complementary services
eg. Newspapers or TV in waiting rooms
- Development of nonpeak demand
eg. Employees crosstrained or serve other customer segments as
Mcdonalds breakfast

Perishability : Supply Strategies

- Part time employee utilization
- Capacity sharing eg. doctor's expensive equipment
- Advance preparation for future expansion
- Utilization of third parties eg. Travel agents
- Increase customer participation.

Overview of the services sector: Traditional Service Industries

- Business services
- Healthcare
- Hospitality industry
- Lodging industry
- Travel & Tourism industry
- Meeting and convention planning

Overview of the services sector: Some Newer Service Industries

- ❖ Casino Hotels
- ❖ Continuing Care Retirement Communities
- ❖ Diagnostic Imaging Centers
- ❖ Diet and Weight Reducing Centers
- ❖ Environmental Consulting
- ❖ Golf Courses, Country Clubs
- ❖ Hazardous Waste Collection
- ❖ Medical Centers
- ❖ Industrial Design Services
- ❖ Investment Banking and Securities Dealing
- ❖ Management Consulting Services
- ❖ Satellite Telecommunications
- ❖ Telemarketing Bureaus
- ❖ Temporary Help Services

Marketing Environment

There are three key perspectives on the marketing environment:

- the 'macro-environment'
- the 'micro-environment' and
- the 'internal environment'.

The Micro Environment

Micro does not mean to small rather to local.

This environment;

- influences the organization directly
- includes suppliers that deal directly or indirectly, consumers and customers, and other local stakeholders.
- is a more local relationship, and the firm may exercise a degree of influence.

The Macro Environment

This includes all factors that can influence the organization, but that are out of their direct control. It includes;

- legal,
- aggressive competition and rivalry in the market,
- globalized set up
- cultural, political, economic and technological.

The Internal Environment

- All factors that are internal to the organization are known as the 'internal environment'.
- They are generally audited by applying the 'Five Ms' which are **M**en, **M**oney, **M**achinery, **M**aterials and **M**arkets.
- The internal environment is as important for managing change as the external.
- As marketers we call the process of managing internal change 'internal marketing'