

# SERVICES MARKETING

# Service Sector in India

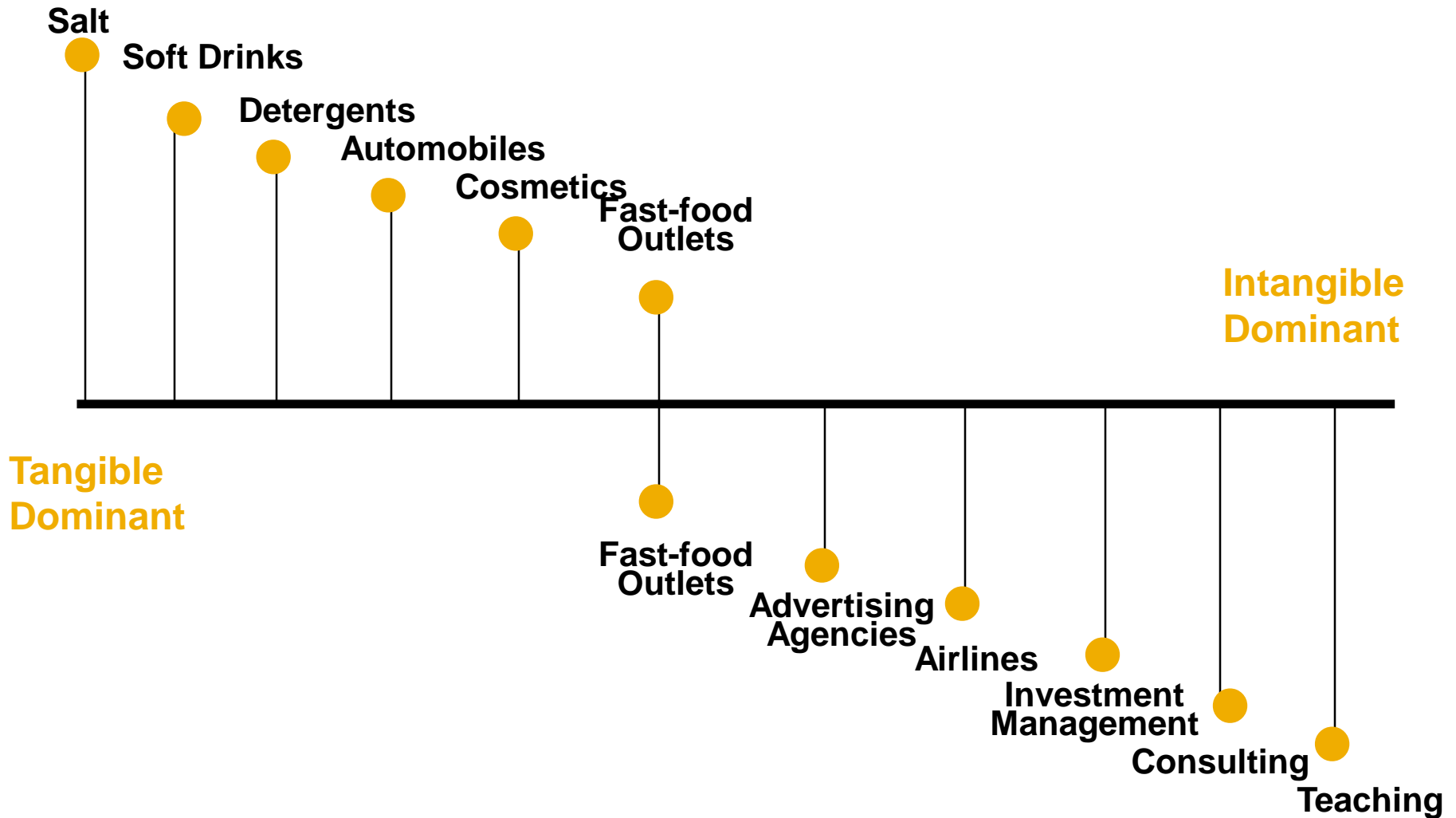
<b>Industrywise Sector Contribution to GDP &amp; Employment (in bracket figures)</b>	<b>India</b>	<b>USA</b>	<b>China</b>
Agriculture and Allied	15.4% (53%)	8% (2%)	7% (26%)
Manufacturing and Industry	23% (22%)	12% (19%)	40% (28%)
Services* (*IT contributes the majority)	61.6% (25%)	80% (79%)	53% (46%)

# Examples of Service Industries

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

# Figure 1.1

## Tangibility Spectrum



# Goods Vs Services

<b>Goods</b>	<b>Services</b>	<b>Resulting Implications</b>
Tangible	Intangible	Services cannot be inventoried. Services cannot be patented. Services cannot be readily displayed or communicated. Pricing is difficult.
Standardized	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.
Nonperishable	Perishable	It is difficult to synchronize supply and demand with services. Services cannot be returned or resold.

# 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

# 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.

**THANK YOU**