

SERVICES MARKETING

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

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**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

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

Characteristics of services

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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

