

UNIT-5

Services marketing

Meaning and definition of services:

Service are organised activities designed to provide complete satisfaction for the target group of customers for a consideration known as fee or charge.

According to the American marketing association, services refers to “**Activites, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods**”.

Services refers to any act or benefits offered by the service provider to the consumer for a price, and does not result in the ownership of anything.

Examples

- Health care services, such as – hospital, medical, dentistry, nursing, gymnasium, etc.
- Professional services, such as accounting, auditing, legal, architectural, etc.
- Financial services, such as – banking, insurance, investment, stock broking, merchant banking etc.
- Hospitality services, such as –hotel, lodging, restaurant, breakfast catering etc.
- Travel services, such as-airlines, travel agency, tour operating etc.
- Others- hair saloon, beauty parlour, lawn maintenance, etc.

Differences between goods and services

Goods	Services
1. Goods are objects, they can be touch and seen.	1. Service are activities, they cannot be touch and seen.
2. Goods are physical commodities.	2. Services are activities or processes.
3. Goods are tangible	3. Services are intangible.
4. Goods are homogeneous in nature.	4. Services are heterogeneous in nature.
5. Goods can be stored in ware house.	5. Services cannot be stored.
6. Production and distribution of goods can be separated from consumption	6. Production, distribution and consumption of services are simultaneous process.
7. Goods can be replaced	7. Services cannot be replaced
8. Goods are produced.	8. Services are performed.

Characteristics of Services

- Lack of ownership
- Intangibility
- Inseparability
- Variability
- Perishability
- User participation
- Fluctuating demand
- Pricing of services
- Direct channel
- Irrelevance of certain marketing functions
- Skill orientation

- **Lack of Ownership** –
Lack of ownership may be one of the most obvious ones of the characteristics of service. It refers to the fact that you cannot own and store a service like you can a product. This characteristic is strongly linked to several other characteristics of services, such as intangibility, perishability, inseparability.

- **Intangibility** –
When thinking about the characteristics of services, intangibility may come to your mind first. Service intangibility means that services cannot be seen, tasted, felt, heard or smelled before they are bought. You cannot try them out. For instance, airline passengers have nothing but a ticket and a promise that they will arrive at a certain time at a certain destination. But there is nothing that can be touched.

- **Inseparability** –
Characteristics of services include inseparability, which means that services are produced and consumed at the same time. This also entails that services cannot be separated from their providers. Contrary to services, physical goods are produced, then stored, later sold, and even later consumed. Services are first sold, then produced and consumed at exactly the same time. A product can, after production, be taken away from the producer. However, a service is produced at or near the point of purchase. For instance, when visiting a restaurant, you order your meal, the waiting and delivery of the meal, the service provided by the waiter/ress etc. All these parts, including the providers, are part of the service and therefore inseparable. In services marketing, a service provider is the product.

- **Variability –**
Variability does also belong to the important characteristics of services. It refers to the fact that the quality of services can vary greatly, depending on who provides them and when, where and how. Because of the labour-intensive nature of services, there is a great deal of difference in the quality of service provided by various providers, or even by the same providers at different times.
- **Perishability –**
Perishability means that services cannot be stored for later sale or use. In other words, services cannot be inventoried. This is one of the most significant characteristics of services, since it may have a major impact on financial results. Doctors or dentists often charge patients for missed appointments because the service value has foregone. The value existed only at that particular point and disappeared when the patient did not come. When demand is steady, the perishability of services is not a problem. However, in case of fluctuating demand, service firms can have difficult problems. For this reason, transport companies own much more equipment than they would if demand were even throughout the day: the demand during rush-hours needs to be served at that specific time, it cannot be served later or earlier. Consequently, service companies use various techniques for creating a better match between demand and supply: Demand shifting.
- **User participation –**
Finally, the characteristics of services include user participation. Indeed, users participate in every service production. Even when the user is not required to be at a location where the service is performed, users participate in every service production. A service cannot be separated from its provider, but neither can it be separated from its user.
- **Fluctuating demand –**
Fluctuating demand is the other feature of services. The demand for many services fluctuates according the season. For example, demand for tourism is highly seasonal in nature. There is a greater demand for hill stations during summer. Similarly, there is a greater demand for tourist vehicles during summer holidays, New Year, weekend etc.
- **Pricing of services-**
Pricing of services is influenced by perishability, fluctuation in demand and inseparability. Quality of services cannot be standardized, price determination for services cannot be standardized, price determination for services is depending on demand and competition. Therefore variable pricing method is adopted. For instance, room rent in tourist destination depends upon the demand

pattern. Many times, during off-season. Hotel owners offer seasonal discount also. The same is true in case of tour operators who run fleet of vehicles.

- **Direct channel-**

Generally, the services are delivered directly to consumers. Consumers directly approach service providers to take the services. For example a customer who needs a service from the bank, post office, hotel or a doctor visit the concerned service provider and consume the service.

- **Irrelevance of certain marketing functions-**

Many marketing functions are irrelevant in service marketing. These include transportation, grading, storage, inventory control, packing etc. These services are needed for goods marketing are not necessary for services marketing.

- **Skill orientation-**

In case of services, it is the skill of service provider which determine the fate of business. The intellectual capital of the service provider plays a vital role in marketing of services. The quality of service hospitality, consumer satisfaction will determine the profitability of business.

Service Marketing Mix – 7 P’s of marketing

The service marketing mix is also known as an extended marketing mix and is an integral part of a service blueprint design. The service marketing mix consists of 7 P’s as compared to the 4 P’s of a product marketing mix. Simply said, the service marketing mix assumes the service as a product itself. However it adds 3 more P’s which are required for optimum service delivery. The product marketing mix consists of the 4 P’s which are Product, Pricing, Promotions and Placement. These are discussed in my article on product marketing mix – the 4 P’s. The extended service marketing mix places 3 further P’s which include People, Process and Physical evidence. All of these factors are necessary for optimum service delivery. Let us discuss the same in further detail.



1) Product

The product in service marketing mix is intangible in nature. Like physical products such as a soap or a detergent, service products cannot be measured. Tourism industry or the education industry can be an excellent example. At the same time service products are heterogeneous, perishable and cannot be owned. The service product thus has to be designed with care. Generally service blue printing is done to define the service product. For example – a restaurant blue print will be prepared before establishing a restaurant business. This service blue print defines exactly how the product (in this case the restaurant) is going to be.

2) Place

Place in case of services determine where is the service product going to be located. The best place to open up a petrol pump is on the highway or in the city. A place where there is minimum traffic is a wrong location to start a petrol pump. Similarly a software company will be better placed in a business hub with a lot of companies nearby rather than being placed in a town or rural area. Read more about the role of business locations or Place element.

3) Promotion

Promotions have become a critical factor in the service marketing mix. Services are easy to be duplicated and hence it is generally the brand which sets a service apart from its counterpart. You will find a lot of banks and telecom companies promoting themselves rigorously.

Why is that? It is because competition in this service sector is generally high and promotions is necessary to survive. Thus banks, IT companies, and dotcoms place themselves above the rest by advertising or promotions.

4) Pricing

Pricing in case of services is rather more difficult than in case of products. If you were a restaurant owner, you can price people only for the food you are serving. But then who will pay for the nice ambiance you have built up for your customers? Who will pay for the band you have for music? Thus these elements have to be taken into consideration while costing. Generally service pricing involves taking into consideration labour, material cost and overhead costs. By adding a profit mark-up you get your final service pricing. You can also read about pricing strategies.

5) People

People is one of the elements of service marketing mix. People define a service. If you have an IT company, your software engineers define you. If you have a restaurant, your chef and service staff defines you. If you are into banking, employees in your branch and their behaviour towards customers defines you. In case of service marketing, people can make or break an organization.

Thus many companies nowadays are involved into specially getting their staff trained in interpersonal skills and customer service with a focus towards customer satisfaction. In fact many companies have to undergo accreditation to show that their staff is better than the rest.

6) Process

Service process is the way in which a service is delivered to the end customer. Let's take the example of two very good companies – McDonalds and FedEx. Both the companies thrive on their quick service and the reason they can do that is their confidence on their processes.

On top of it, the demand of these services is such that they have to deliver optimally without a loss in quality. Thus the process of a service company in delivering its product is of utmost importance. It is also a critical component in the service blueprint, wherein before establishing the service, the company defines exactly what should be the process of the service product reaching the end customer.

7) Physical Evidence

The last element in the service marketing mix is a very important element. As said before, services are intangible in nature. However, to create a better customer experience tangible elements are also delivered with the service. Take an example of a restaurant which has only chairs and tables and good food, or a restaurant which has ambient lighting, nice music along with good seating arrangement and this also serves good food. Which one will you prefer? The one with the nice ambience. That's physical evidence.

Several times, physical evidence is used as a differentiator in service marketing. Imagine a private hospital and a government hospital. A private hospital will have plush offices and well-dressed staff. Same cannot be said for a government hospital. Thus physical evidence acts as a differentiator.

