

**Government college for women (A)**

**Kumbakonam**

**Department of commerce**

**III B.com**

**Services Marketing**

**Dr .T.Tamilmathi,**

**Assistant professor.**

## **MEANING OF SERVICE MARKETING:**

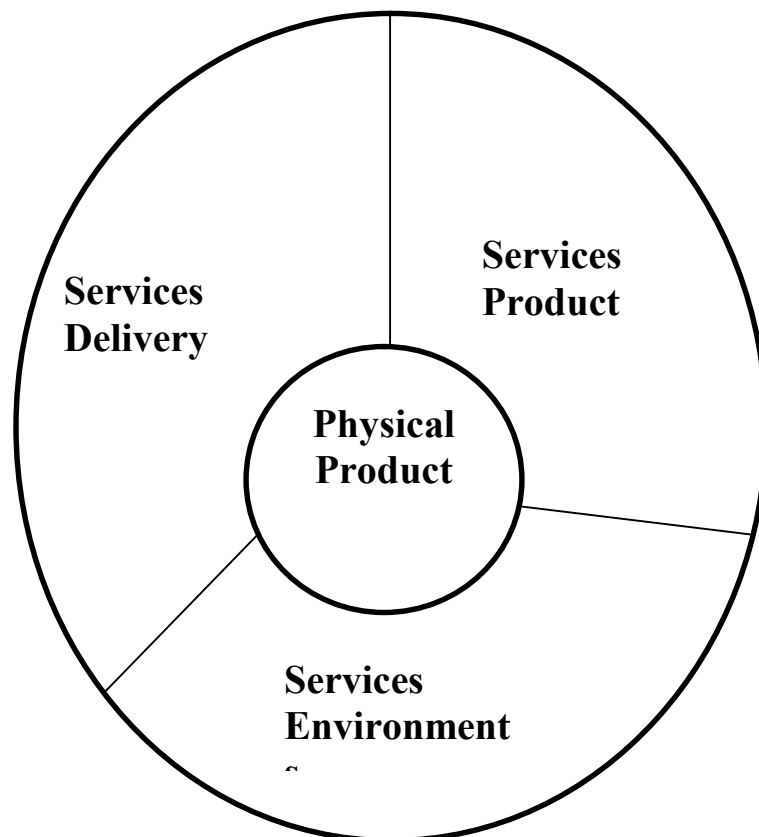
Marketers offer tangible goods with supporting services such as pre-sale services, accompanying a product. But as a distinctive area of study in marketing, attention is paid to those services sold by business or professional concerns with profit seeking motive.

## **DEFINITION OF SERVICE MARKETING:**

The American Marketing Association refers to “services are activities, benefits or satisfaction which are offered for sale or provided in connection with sale of goods”.

## **COMPONENTS OF SERVICES**

Understanding the nature of the services is the first task in services marketing .The nature of services gives useful clues on the benefits expected by customers from it.



## The physical product

The various product marketed by a firm involve the physical transfer of ownership of those product. They are tangible and their quality is standardised. For example, physical products include T.V.,Radio,Refrigerators,computers,hair oil, vacuum cleaner,washing Machine, etc.

## Services product

A service is an activity or benefit that one party can offer to another which is essentially intangible in nature. Services involve some interaction with customers without effecting transfer of ownership. For example, people visiting exhibitions, trade fairs are allowed to inspect the consumer durables without being approached by sales representatives.

## Services Environment

The potential customer forms an impression about the service on the basis of service environment. The service environment represents the physical back drop that surrounds the service. For example, providing hygienic food is the core services in a hotel or restaurant.

## Services Delivery

The service delivery is one of the important components of service. services delivery is of great important to the customer's overall perception about the quality. While deciding the method of services delivery the following questions should be considered.

- i. Should the services be delivered at a single site or through multiple outlets?
- ii. What is the most convenient type of transaction for customers?
- iii. Is it possible to use suitable intermediaries to achieve multiple outlets?

<i>Nature of service</i>	<i>Physical Product</i>	<i>Service Product</i>	<i>Services environments</i>	<i>Service delivery</i>
University	➤ Degree	➤ Course ➤ Guidance ➤ Placement ➤ Employment	➤ Lecture halls ➤ Libraries ➤ Laboratories ➤ Language Lab ➤ Playground ➤ Canteen ➤ Hostels	➤ Teaching performance ➤ Tutorial ➤ System ➤ Counselling ➤ Placements

Super market	➤ Goods	➤ Display ➤ Assortment ➤ Assistance ➤ Credit ➤ inventory	➤ Sales floor racks	➤ Speed ➤ Friendliness ➤ Market information
Hotels	➤ Stay ➤ Food	➤ Bill settlement ➤ Message ➤ Wake up calls	➤ Lobby ➤ Parking space ➤ Rooms ➤ Reception	➤ Laundry ➤ Transport arrangements ➤ Multi cuisines ➤ Room service ➤ Room cleaning
Couriers	➤ Communications	➤ Service time ➤ Collection centres	➤ Waiting hall ➤ Sorting space ➤ Parcel office	➤ Promptness delivery ➤ Billing section

## CHARACTERISTICS OF SERVICE

Every product is a bundle of physical (tangible) and non-physical (intangible) attributes. Products which are intangible in nature are classified as services. Goods are produced while services are performed.

1. Intangibility.
2. Inseparability.
3. Heterogeneity.
4. Perishability.
5. Ownership.
6. Pricing of services.

**Intangibility:** Services are essentially intangible. So, it is impossible for a customer to see, feel, taste, hear or smell services before they are bought. The benefits of services are based on (i) Tangible Representation of the services and (ii) Focus on the service provider himself rather than on the service.

**Inseparability:** Physical products are first manufactured and then put into inventory and distributed through multiple resellers and consumed later. Inseparability bears certain market implications –(i) Simple distribution, (ii) Multiple location, (iii) Image of the service providers.

**Heterogeneity:** Even the quality of the output of services sold by one provider is not uniform. Each unit of service is different from other units of the same service provider.

**Perishability:** Services cannot be stored. Unused electric power, vacant seats in a transport system, empty rooms in lodges, idle mechanics etc., represent business that is lost forever.

**Ownership:** The very important feature of service is that ownership cannot be transferred. The service user cannot buy and own the services. Services are, therefore, provided to customer.

**Pricing of services:** Services are intangibles, they do not permit quantitative measurement. In fact, quality measurement is highly difficult.

## **CLASSIFICATION OF SERVICE**

### **Insurance, Banking, Finance:**

- Banks
- Share brokers
- Portfolio
- Management service
- Factoring service
- Mutual fund service

### **Business, professional and scientific activities:**

- Advertising
- Marketing research
- Management
- Consultancy
- Accountancy
- Legal
- Medical
- Educational
- Maintenance and repairs
- Leasing
- Computer programming
- Training service

**Leisure and recreation:**

- Cinema, theatre
- Clubs
- Gymnasiums
- Restaurants
- Hotels
- Video games
- Parlours
- Casinos
- Tourism

**Transport and communication:**

- Railways
- Air transports
- Post and telegraph
- Telephone and telecommunication
- Broadcasting
- Telecasting

**Utilities:**

- Electricity
- Water supply

**Law Enforcing, Crisis, Administrative And Defence Services:**

- Police
- Armed force
- Judiciary
- Municipal services

### **Miscellaneous:**

- Beauty parlours
- Health clubs
- Dry cleaning
- Laundry services
- Matrimonial services
- Baby sitting
- Domestic help
- Therapy services
- Wedding services

### **DIFFERENCES BETWEEN GOODS AND SERVICES:**

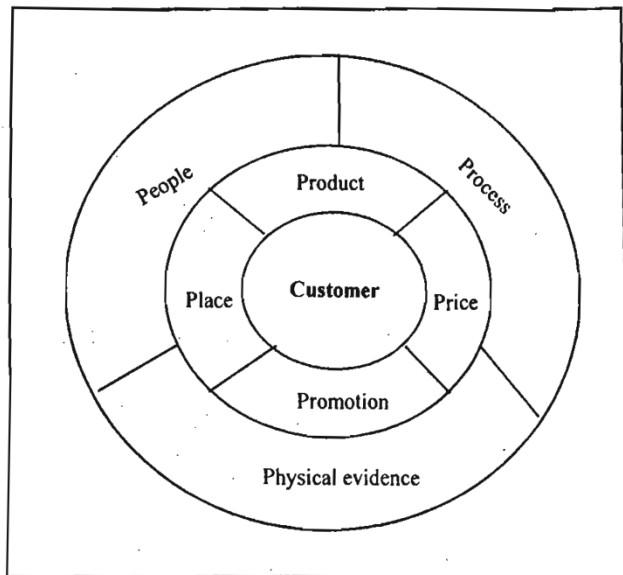
- Tangibility,
- Transportability,
- Heterogeneity,
- Existence,
- Resale,
- Storage,
- Small Firm Size,
- Difficult Quality Control,
- Labour Intensity,
- Legal And Ethical Barriers,
- Fluctuating Demand,
- Sampling,
- Restricted Applicability Of A Portfolio Theory,
- Establishment Of Large Market Share,

## MEANING OF MARKETING MIX

The marketing mix refers to the combination of ideas, concepts and features which put together best appeal to the market segments. Market mix is tailored to each target segment in order to meet the specific needs of consumers in the individual segment. The conceptual framework of marketing mix designed by the different experts in the same.

## SERVICE MARKETING MIX

The traditional marketing mix is considered in the context of service. Since a different marketing mix is needed for service, some have expanded the traditional four *Ps*. thus; the marketing mix components in service marketing include (i) Product (ii) pricing (iii) Promotion (iv) place (v) People (vi) physical evidence and (vii) Process.



## DEFINITIONS OF SERVICE MARKETING MIX;

“it is a combination of different sub mixes of the marketing mix, such as product mix, promotionmix, price mix and the place mix, some of the experts also talk about sub mixes like people, physical evidence and process”



## CHARACTERISTICS OF SERVICE MARKETING MIX;

The marketing mix which is a tool used by markets to exhibit the following features.

1. The marketing mix represents the important internal elements or ingredients that make up a organization's marketing programme.

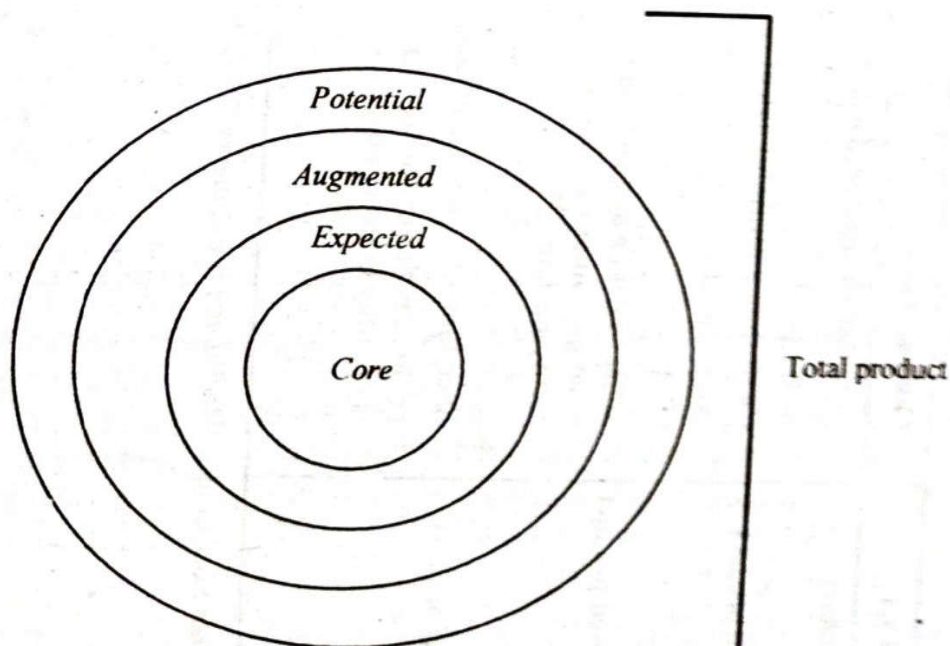
2. Service marketing mix different from traditional marketing mix in the context of service.

3. According to simonMajaro, three factors determine whether or not a specific element should be included in a firm's marketing mix:

4. marketing any decision about marketing mix depends upon how the service is to be positioned and the market segment to be addressed.

### 1. PRODUCT (SERVICE PRODUCT)

According to Adrian Payne, a product is an overall concept of objects or processes which provide some values to customers. Goods and services are sub-categories of product. The term produce is used in a broad sense to denote either a manufactured good or product and a service. This total offering to the customer is termed as offer. The offer is viewed at several levels, which include (i)the core or generic product (ii) the expected product (iii) the augmented product and (iv) the potential product.



**Figure 4.3 - The total product concept**

**The Total Product Concept**

<b>Product level</b>	<b>Customer's view</b>	<b>Marketer's view</b>	<b>Personal computer example</b>
<b>Core product</b>	Customer's generic need which must be met.	Basic benefits which make product of interest.	Data storage, processing, speed of processing, retrieval
<b>Expected product</b>	Customer's minimal set of expectations.	Marketer's product decisions on tangible and intangible components.	Brand name, warranty, service support, the computer itself.
<b>Augmented product</b>	Seller's offering over and above what customer expects or is accustomed to.	Marketer's other mix decisions on price, distribution, and promotion.	Diagnostic software, trade in allowance, base price plus options, dealer network, user clubs, personal selling.
<b>Potential product</b>	Everything that potentially can be done with the product that is of utility to the customer.	Marketer's actions to attract and hold customers regarding changed conditions or new applications.	Use as a system controller, facsimile machine, music composer, and other areas of application.

**Source :** B. Collins, "Marketing for Engineers " in D. Sampson (ed) ; *Management for Engineers*, Longman, Cheshire, 1989, P.372.

***The four levels of product are briefly described below:***

- 1) ***The core or generic product:*** The core product represents the basic services of a product. This product is at its basic level. For example, food served in a restaurant, a bed in a hotel room for the night, safety of deposits and loanable funds in a bank.
- 2) ***The expected product:***the expected product consist of the core product together with the minimal purchase conditions which need to be met. For example, in a restaurant, in addition to basic food served, aspects such as cleanliness, timely service, polite and courteous service of bearer, availability of menu and background music are expected.
- 3) ***The augmented product:*** Augmented product refers to offerings (product benefit or services in addition to what customers expect). This concept enables a product to be differentiated from another. For example, though IBM has not got technologically advanced core product, they are praised for excellent customer service. This adds value to their core product in terms of reliability and responsiveness.
- 4) ***The potential product:***Potential product refers to doing everything potentially feasible to hold and attract the customers. The concept of potential product of a restaurant is viewed in terms of a pleasing flower arrangement, manager's word of thanks, readiness to go out of the way to serve, etc.

## **2. PRICE**

Price plays a significant role in the marketing mix by attracting revenue to the marketer. Pricing decisions are important for determining the value of the service\* Perceived by the customer and building of an image for the service.

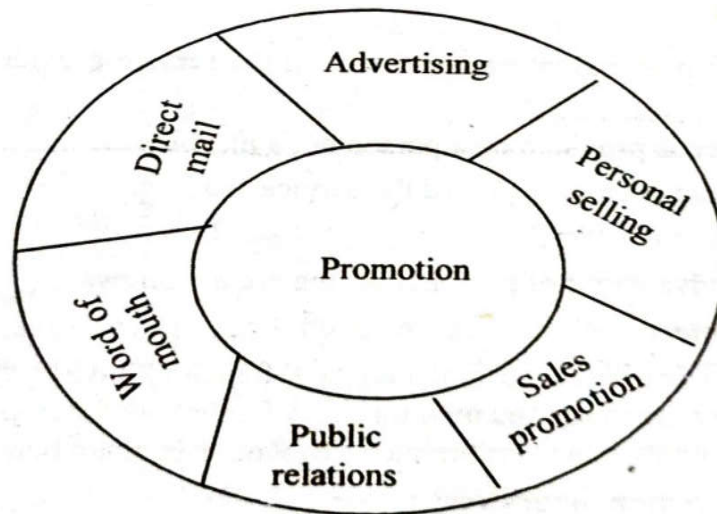
- (i) Pricing decisions have an impact on marketing channel suppliers, sales people, distributors. competitors and customers all are affectedby the pricing system.
- (ii) Since services are intangible in nature, pricing of services is highly important. The price is indicative of the quality that customers receive. Customers, by going through the menu of a restaurant can perceive the quality of food and the restaurant's service level.
- (iii) Pricing allows homogeneous services to be differentiated and facilitates the adoption of a premium pricing strategy.

### **Pricing objectives**

In quoting prices, some firms try to meet competition. Where adverse market conditions prevail, marketers quote lower prices in order to ensure survival in the market even foregoing profitability.

### 3. PROMOTION

Promotion is an important part of the marketing mix for many marketers. The promotion element of the service marketing mix communicates the positioning of the service to customers.



**Figure 4.4 - Promotion mix (communication mix)**

the promotion mix includes six elements, namely (a) Advertising (b) Personal selling (c) Sales promotion (d) Public relations, (e) Word of mouth; and (f) Direct mail.

a) Advertising for service

Advertising creates an understanding of the service firm in the minds of the customers by focusing on the firm's services, activities and areas of expertise

b) Advertising creates a positive image of the firm among the customer

c) Advertising converts the needs, values and attitudes of the customers into a strong sense of identification.

**(i) Personal selling**

Personal selling has assumed much importance in service firms owing to the following reasons.

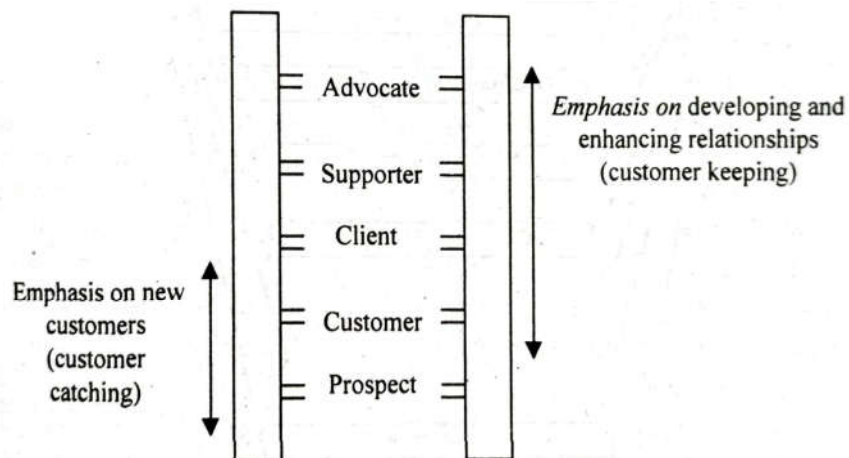
- a) There is a personal interaction between the service provider and the customer.
- b) The service is provided by a person not a machine.
- c) "People" are becoming part of the service product.

**Advantages of personal selling**

<i>Function</i>	<i>Responsibilities</i>	<i>Examples</i>
1) Selling	To persuade potential customers to purchase services and/or to increase the use of services by existing customers.	Insurance agent, stock broker, calling bank officer, real estate sales person.
2) Servicing	To inform, assist and advise customers. To learn about customer's needs and concerns and report them to management.	Airline flight attendant, insurance claims adjuster, ticket agent bank branch manager
3) Monitoring	To learn about customer's needs and concerns and report them to management.	

## (ii) Relationship enhancement

The intimate contact in service business offers a great scope to enhance the relationship between the service provider and the customer.



**Figure 4.5 - The relationship marketing ladder of customer loyalty.**

Source : 'Services Marketing' By Adrian Payne Page 33

## (iii) Cross selling

The banker by maintaining a close contact with current account holders provides a range of service including a mortgage, insurance, savings account, fixed deposits and stockbroking services.

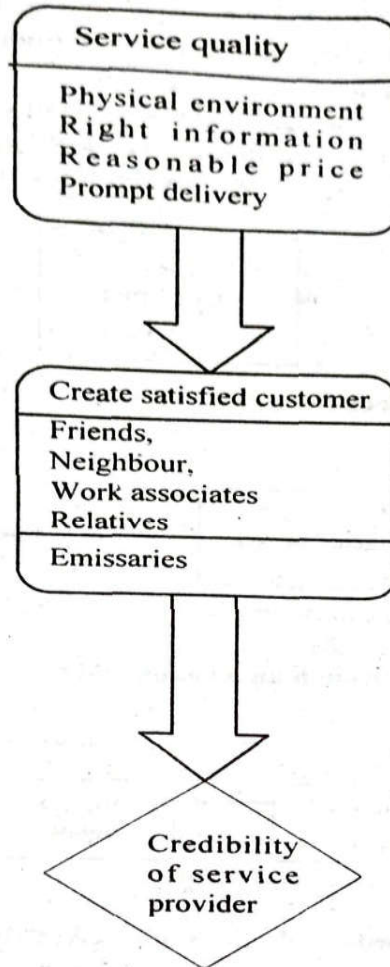


### **Publicity or public Relations (PR)**

“The Planned and sustained effect to establish and maintain goodwill between an organization and its publics. “Public “include all the groups of people and organization which have an interest in the service company”

### **Word of mouth promotion**

Gronroos also gives the communication pattern illustrating the influence of word of mouth recommendation. It passes through some distinct stages like (i) expectations or purchase (ii) interactions (iii) experiences; and (iv) word of mouth or referrals.



**Figure 4.6 - Process of word of mouth influence**

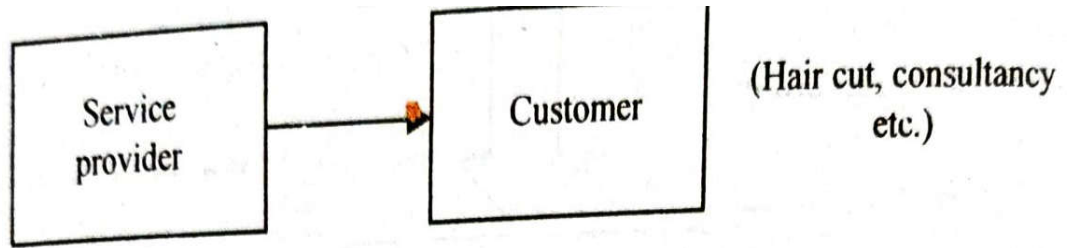
#### 4.PLACE

Place mix of services marketing involves the location and channels which are the two key decision areas. The service provider should decide as to how to deliver the service to the customer and where this should take place.

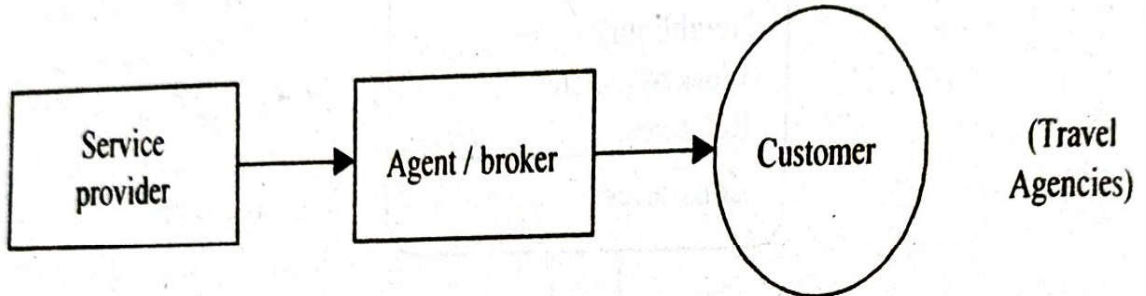
There are three types of interaction between the service provider and the customer: (i) The customer goes to the service provider (ii) The service provider goes to the customer; and (iii) The service provider and customer transact business at arm's length.

The channels of distribution available for service units may be of three types

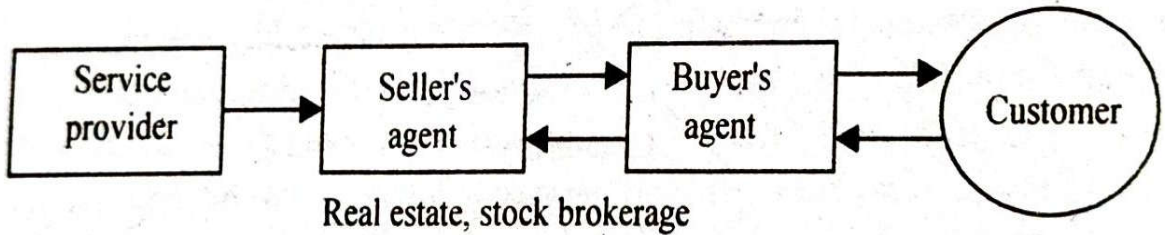




**Figure 4.7 - Direct distribution**



**Figure 4.8 - Through an Agent/broker**



**Figure 4.9 - Two-level middlemen participation**

## 5. PEOPLE

In all the organisations, people play a decisive role. Employees working in the service organisations are the contact people with the customers

. For example, a customer who is satisfied with the service rendered by professionals such as doctors, lawyers, tax consultants brings in a number of other customers

## **6. PHYSICAL EVIDENCE**

Physical evidence is another important variable to be considered in the context of services marketing. Since a service is intangible, it is important for the client to search for evidences which enables him to evaluate the service. Physical evidences are those tangible clues which customers may receive during the process of receiving the service.

### **Types of physical evidence**

Physical evidence can be divided into two components, namely 1. peripheral evidence and 2. essential evidence

## **7. PROCESSES**

This is the seventh component of marketing mix. The processes by which services are created and delivered to the customers are an important element of marketing; mix. Customers perceive the delivery system as a pan of the service itself. The decisions on process management are of great importance to the success of the marketing of the service.

There are three kinds of delivery process: (i) Line operations (ii) Job shop operations. And (iii) Intermittent operations.

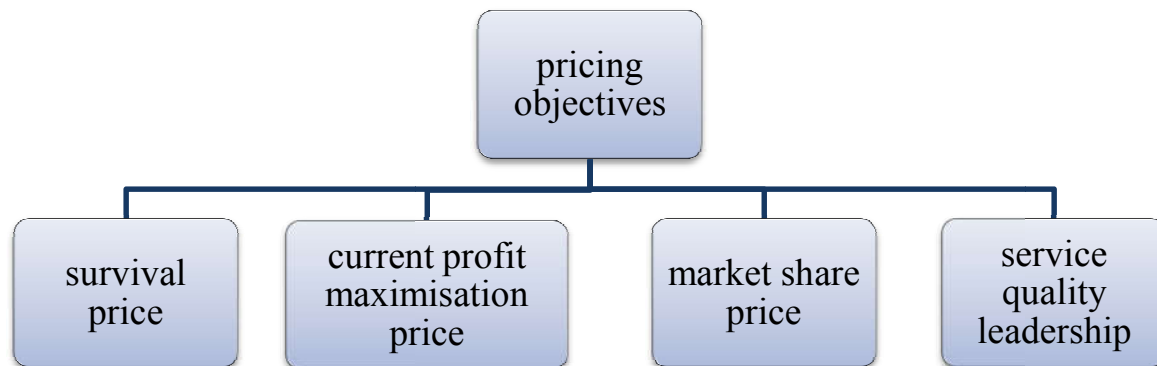
## MEANING OF PRICE:

Price is the amount we pay for goods, services or ideas. The term price is known by a variety of names in different sectors of the economy.

## MEANING OF PRICING:

Pricing is equivalent to the total service offering. Pricing involves establishing pricing objectives, identifying the factors governing the price, determining the method of pricing and formulation of pricing strategies and policies.

## OBJECTIVES OF PRICING:



### Survival price:

A firm follows survival price policy when there is an intense competition and changing consumption pattern in the target market.

### Current profit maximisation price :

profit maximisation pricing ensures maximization of profitability over a given period. The period concerned may be related to the life cycle of the service.

**Market share price:**

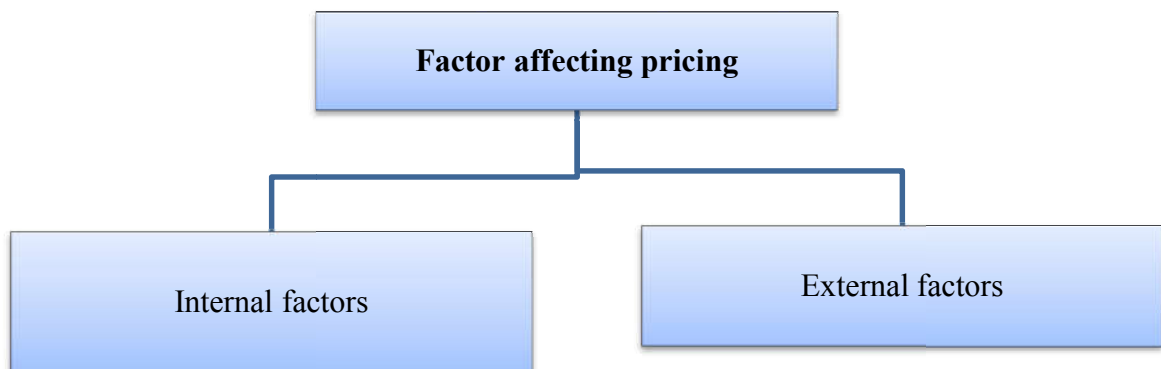
Market share means that portion of industry's sale which a marketer wishes to retain.

**Service quality leadership :**

A service company may use a pricing policy to prove its prestige. The high price charged impresses the quality of the service.

**CHARACTERISTICS OF SERVICES AND PRICES:**

- Services are perishable in the sense that they cannot be stored.
- Customers avail many services according to their convenience.
- Services are intangibles and are not created in a factory assembly line.
- Services provided are more varied than physical products.
- Prices charged for homogeneous services are highly competitive.
- In case of physical goods, retail stores display the products by category.
- Services are inseparable from the person providing them.

**FACTORS OF PRICING:**

**Internal factors:**

- Organisational policies.
- Service differentiation.
- Service cost.
- Marketing mix.

**External factors:**

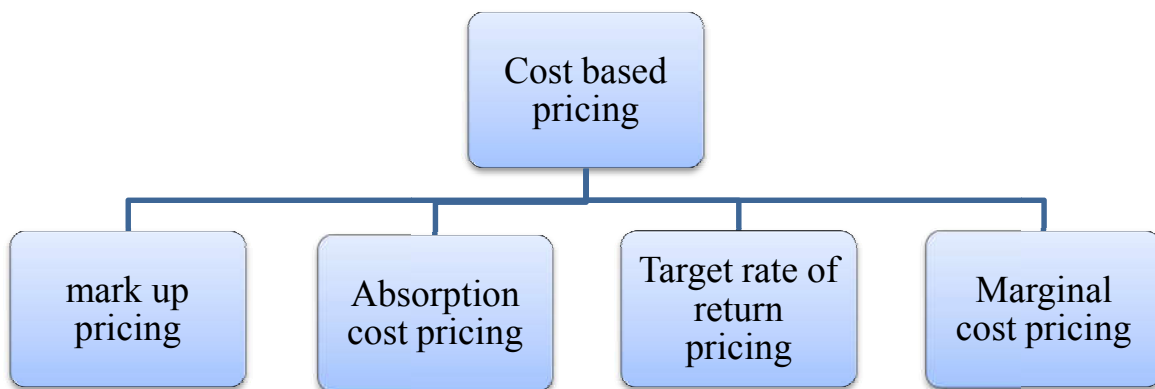
- Demand
- Competition
- Government controls.
- 

**APPROACHES TO PRICING SERVICES:**

- Cost-based pricing.
- Competition-based pricing.
- Demand-based pricing.

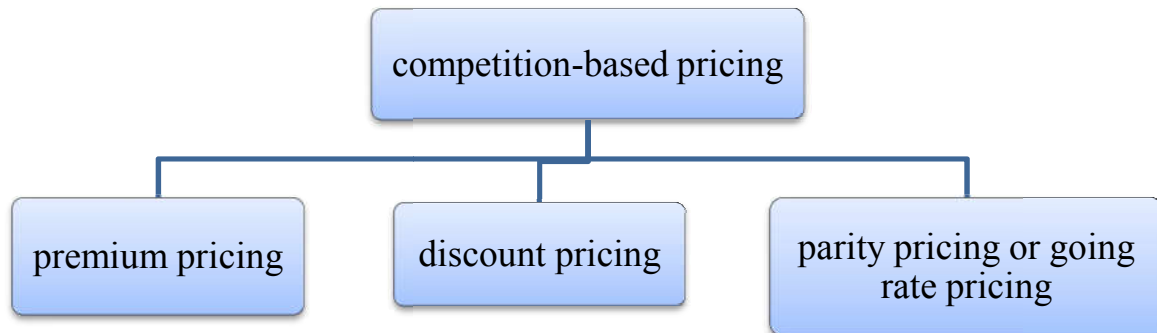
**Cost-based pricing:**

Price = Direct costs + Overhead costs + Profit margin. The service organization computes the cost of services by summing up material, labour and overhead expenses and add a percentage of profit. It is also called cost-plus pricing.



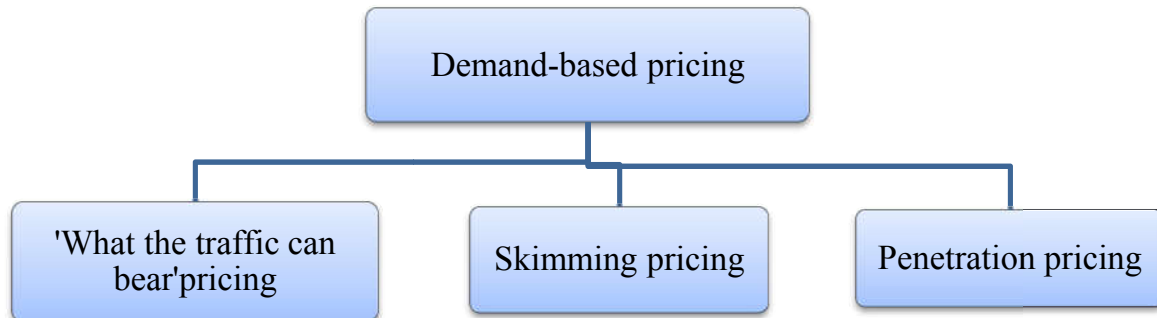
### Competition-based pricing:

Competition-based pricing focuses on the prices charged by other firms in the same market. The strength of competition in the market influence a service organisation's discretion over its prices.



### Demand-based pricing:

The service provider does not consider cost of the service rendered by him. Demand-based pricing involves setting prices consistent with customer perception of value.



## **CUSTOMER KNOWLEDGE OF SERVICE PRICES:**

Customers use price as a criterion in selecting services. So, customers should know about the costs of services. Reference prices help customers perceive the value of services they receive.

## **THE REFERENCE PRICES ARE NOT ACCURATE FOR THE FOLLOWING REASONS:**

**Service heterogeneity limits knowledge:** Services are intangible. They are not created in a factory. As firms offer varieties of combinations of service, pricing structure gets complicated.

**Providers are unwilling to estimate prices:** Many service providers are unable to estimate price in advance. With regard to services such as medical or legal, the service providers are unable to estimate a price in advance.

**Needs of individual customers vary:** Individual customers have varying needs to fulfil. Perhaps these varying needs result in the inaccuracy of reference prices.

**Price information is overwhelming in services:** One of the important reasons for the lack of accurate reference prices for services is that price information is sometimes, abundant.

**Prices are not visible:** Price visibility is essential for increasing customer's knowledge about prices of services. Such as accident or illness, consumers buy services without knowing their prices.

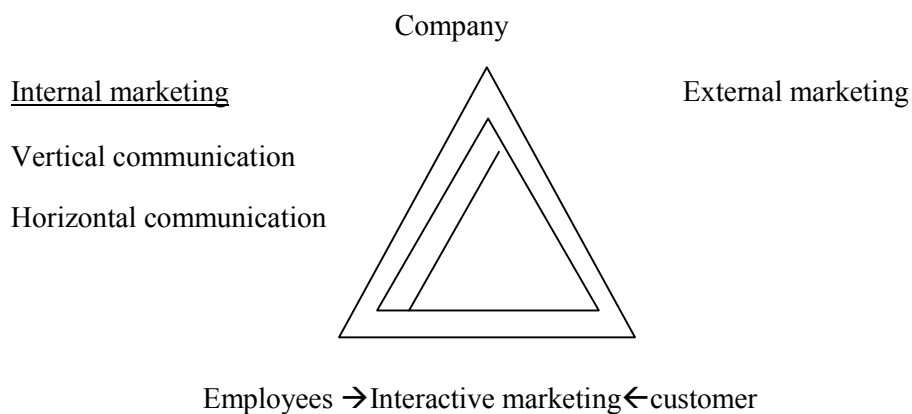
## MEANING OF SERVICE PROMOTION:

Service Promotion refer to the entire set of activities, which communicate the product, brand or service to the user. The idea is to make people aware, attract and induce to buy the product, in preference over others.

## MEANING OF MARKET COMMUNICATION:

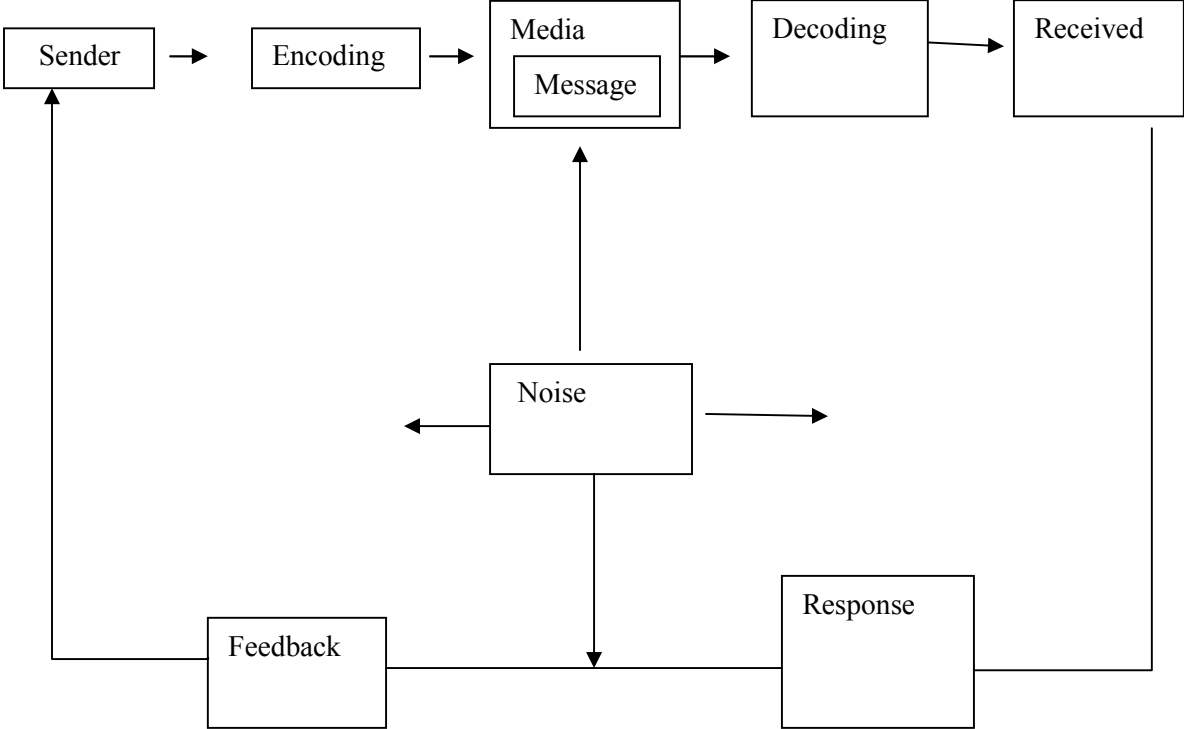
Market communication is an integral part of the marketing function. The traditional marketing function includes marketing communication activities such as sales, advertising and sales promotion.

## COMMUNICATION AND THE SERVICES MARKETING TRIANGLE:

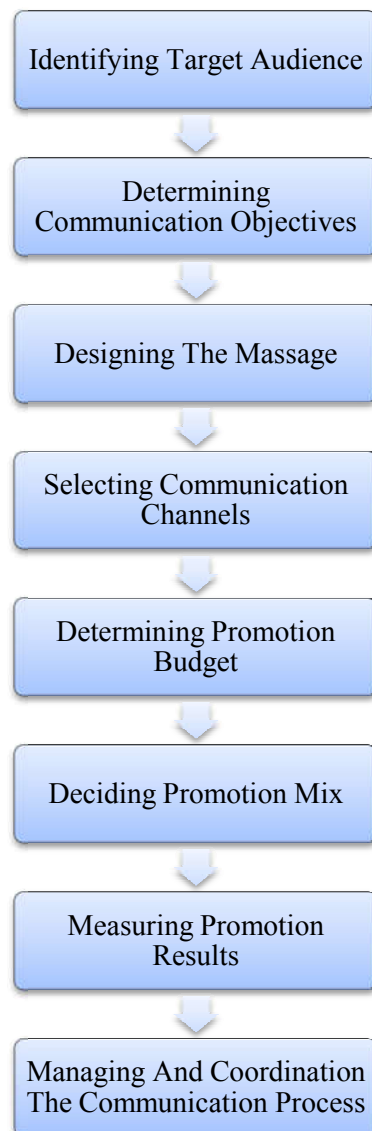




**COMMUNICATION PROCESS :**



## STEPS IN DEVELOPING EFFECTIVE COMMUNICATION:



**Identifying the target audience:** Communication process must start with a clear target audience in mind. In other words, all communication must be directed at specific target audience.

**Determining the communication objectives:** All communication aims to persuade people and try to elicit a favourable response. So, the objectives of the communication should be stated clearly. The steps involved in attitude change are as follows: Awareness, Knowledge, Liking, Preference, Conviction, Purchase.

**Designing the message:** The communicator proceeds to develop an effective message. Formulating the message focuses on message content, message structure, message format and message source.

**Selecting the communication channels:** The communicator moves on to select the appropriate communication channels. The communication channels can be personal or non-personal. Each channel in turn, has sub-channels.

**Determining the total promotion budget:** Firms expend considerable amounts on promotional activities. Promotional expenditure (i) Affordable method, (ii) Percentage of sales method, (iii) Competitive-parity method, (iv) Objective and task method.

**Deciding on the promotion mix:** The promotion budget should be effectively appropriated among five promotional tools, namely, (i) Advertising, (ii) sales promotion, (iii) public relations and publicity, (iv) Sales force and, (v) direct marketing.

**Measuring promotion results:** Results may be measured through a feedback from target audience. Target audiences are asked whether they remember and recall the message.

**Managing and coordinating the marketing communication process:** The markets are heterogeneous in nature, they require their own approach in the communication system.

## **MEANING OF SERVICE COMMUNICATION:**

Service communication is the use of social and behavior change communication processes and techniques to motivate health service-related behaviors among intended audiences across the continuum of care- before, during and after services.

## **OBJECTIVES OF CONSUMER PROMOTION FOR SERVICES:**

- Objectives targeted at customers.
- Objectives targeted at Intermediaries.
- Objectives targeted at competition.
- Developing the promotional mix.

### **Objectives targeted at customers:**

1. Creating and increasing an awareness of new or existing service.
2. Encouraging customers to try the service.
3. Motivating non-users.
4. Convincing existing customer.
5. Changing the timing of customer demand for the service.
6. Communicating the unique features of service and its distinct benefits.
7. Encouraging customers to participate in the delivery system.

**Objectives targeted at Intermediaries:**

1. Convincing intermediaries to deliver a new or a redesigned service.
2. Convincing existing intermediaries to push the promotion service.
3. Protecting intermediaries against price negotiation by customer at the point of purchase.

**Objectives targeted at competition:**

In view of changing competition, communication must create an offensive or defensive impact based on the situation.

**Developing the promotional mix:**

The market communication mix communicate information to customers about product and services. It uses a combination of strategies to influence the customers to the buy the services.

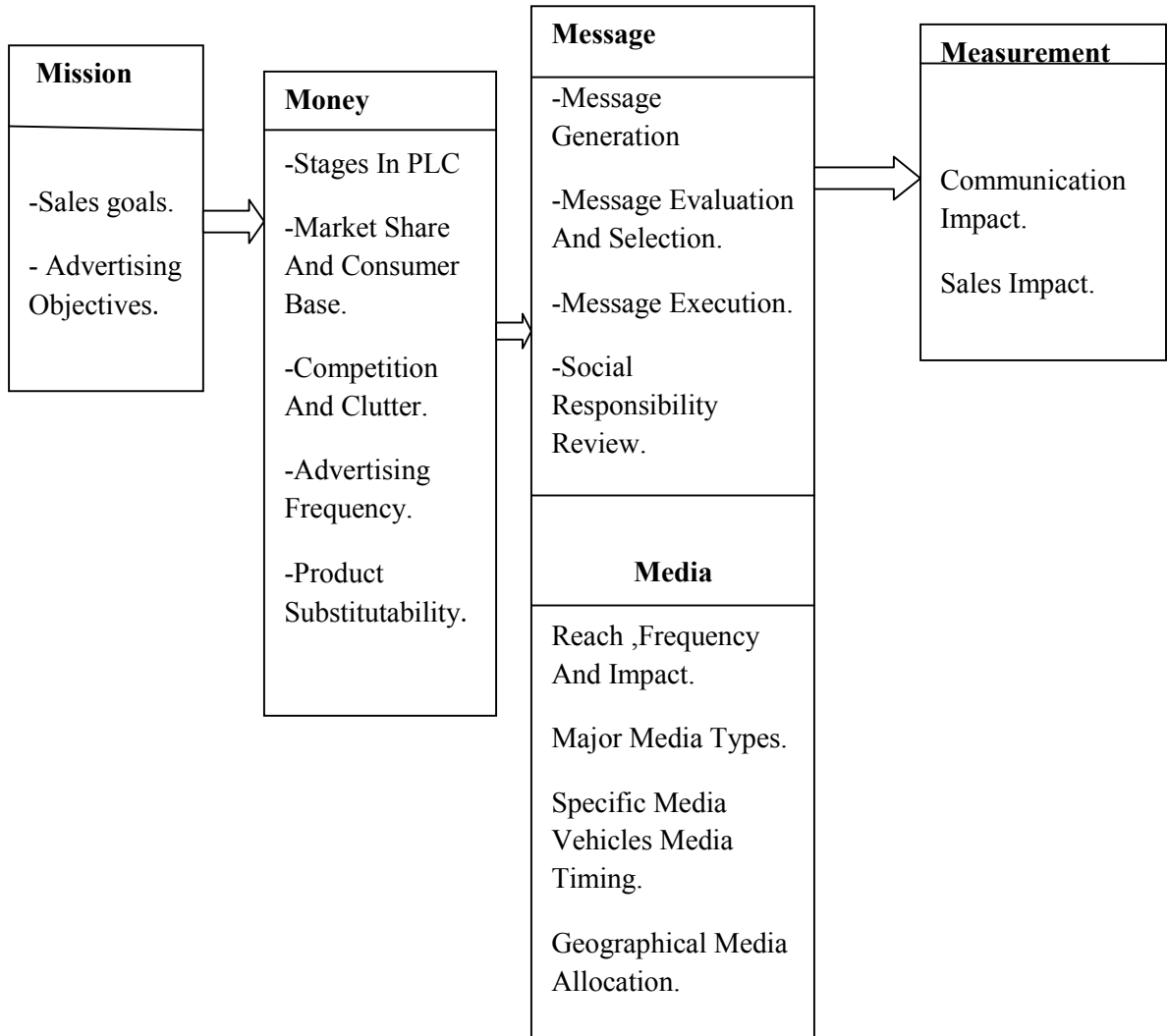
**DEFINITION OF ADVERTISING:**

“ Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor”.

**STEPS IN ADVERTISING PROCESS:**

- Setting the Advertising objectives.
- Deciding on the advertising budget.
- Choosing the advertising message.
- Deciding on media.
- Evaluating advertising effectiveness

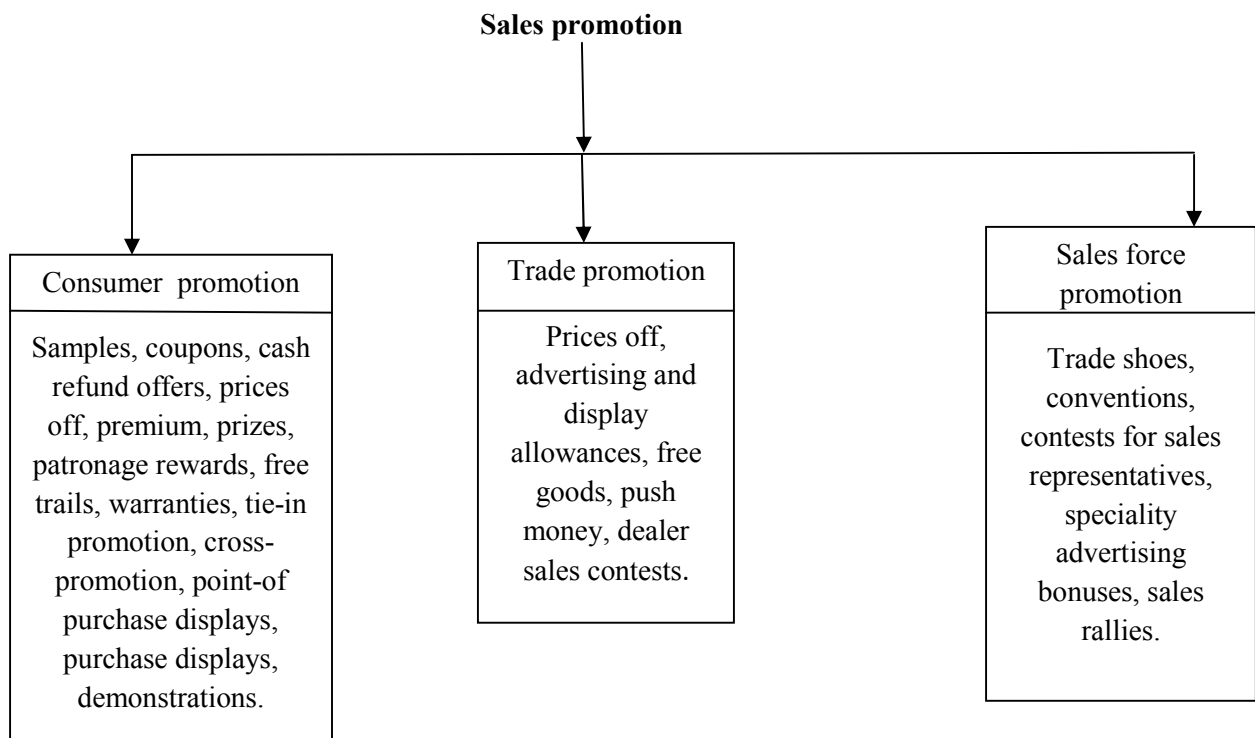
**DECISIONS IN DEVELOPING AN ADVERTISEMENT PROGRAMME:**



## SALES PROMOTION MEANING:

“sales promotion consists of diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade”. While advertising gives a reason to buy, sales promotion offer an incentive to buy.

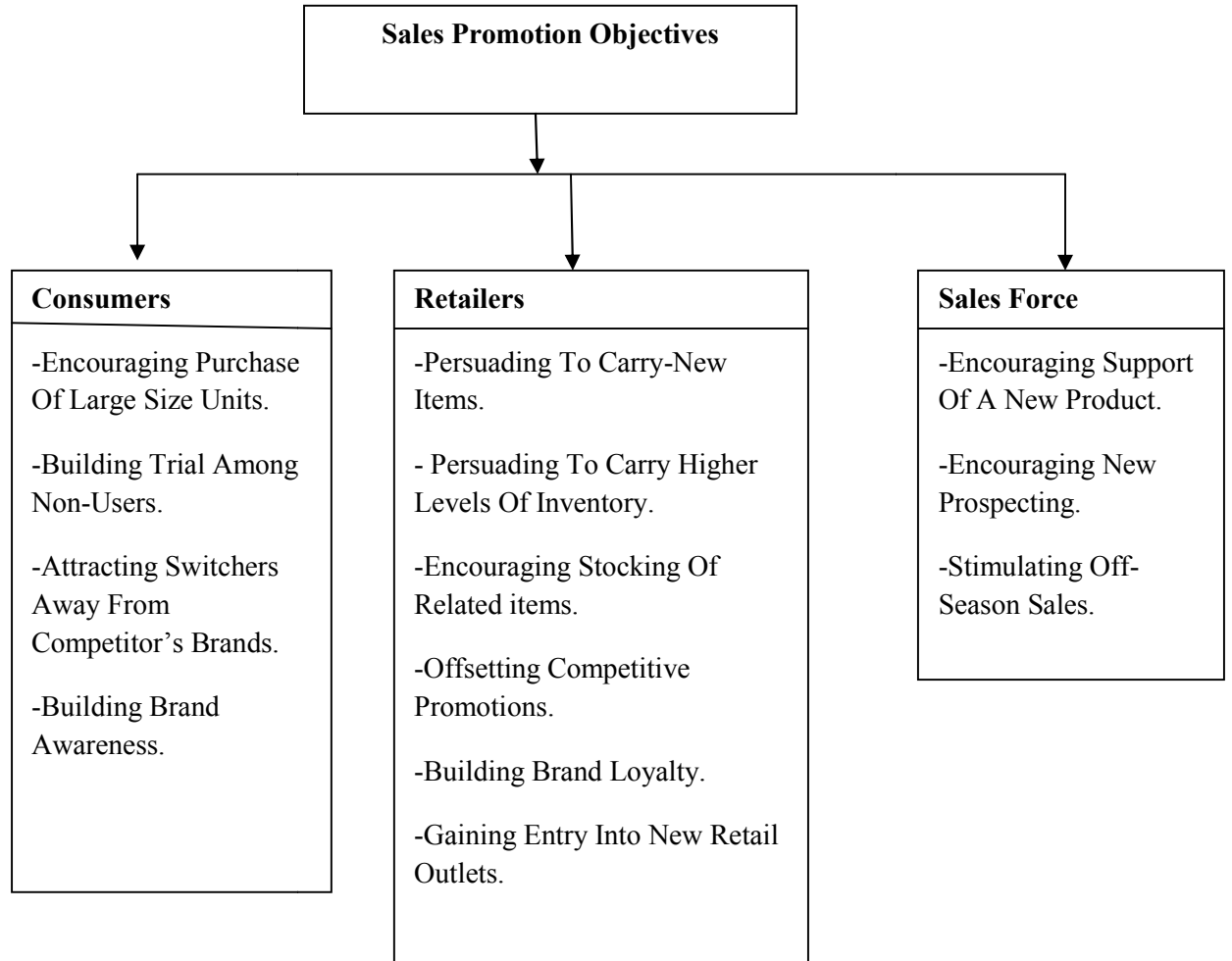
## TYPES OF SALES PROMOTION:



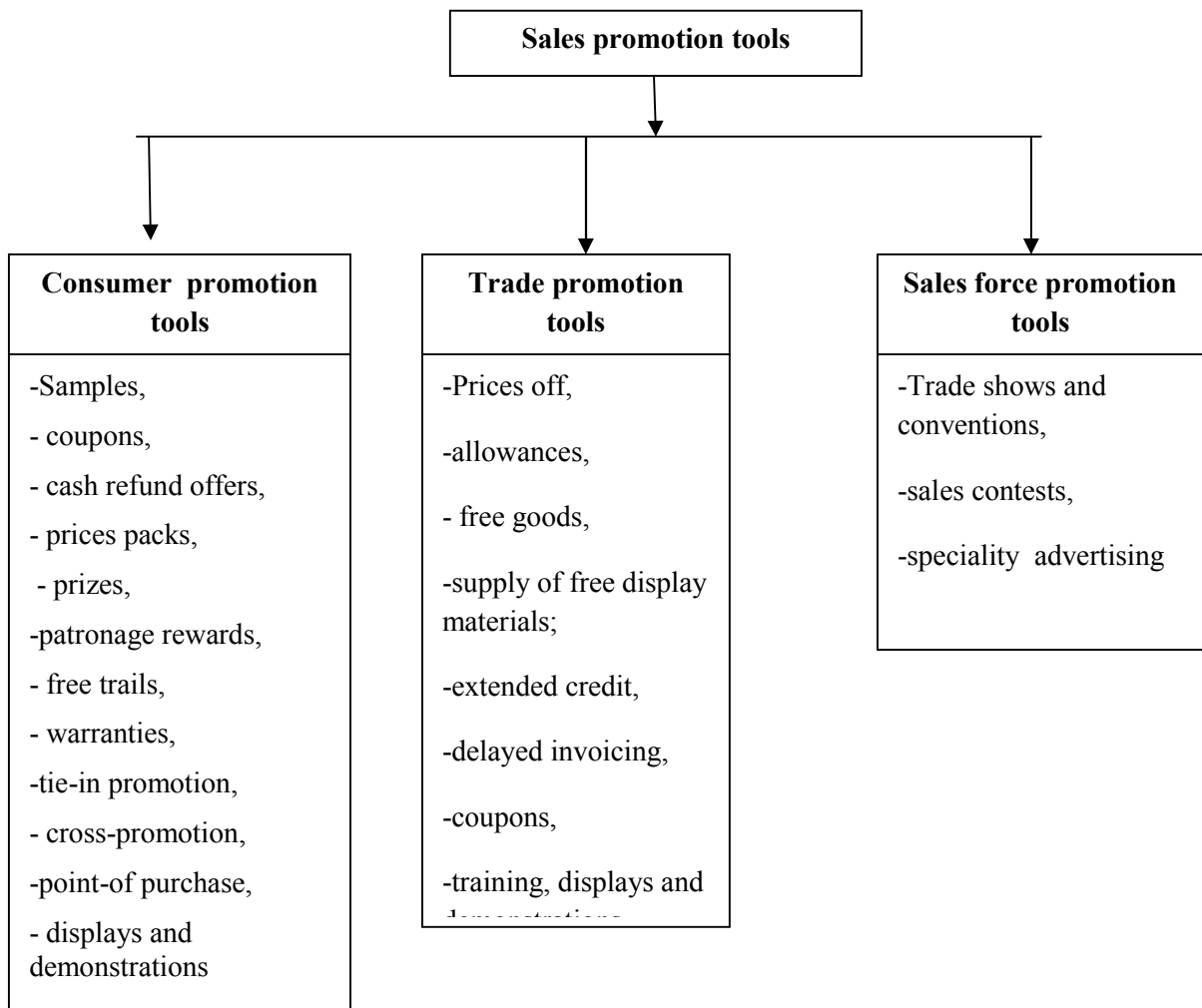
MAJOR DECISIONS IN SALES PROMOTION:



**Establishing objectives:**



### Selecting sales promotion tools:



### Developing the sales promotion programme:

In developing a sales promotion programme, marketers combine several media into a total campaign. A certain minimum incentive is necessary if the promotion is to succeed.

### Pretesting the programme:

Pretesting enables the marketer to understand whether the tools are appropriate, the incentive size optimal and the presentation efficient.



### **Implementing and controlling the sales promotion programme:**

Marketing managers can exercise control over individual promotion with the helps of implementation and control plans. The implementation plan provides for lead time and sell- in time.

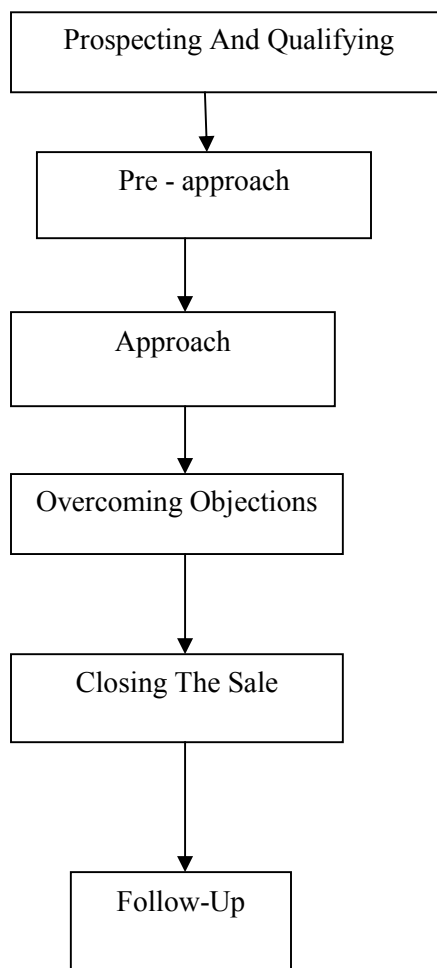
### **Evaluation sales promotion results:**

Sales data involves analysis of sales data on the type of people who availed sales promotion , timing of purchase, subsequent reaction of consumers towards promotion, customers who switched over from competitions, etc.

### **DEFINITION OF PERSONAL SELLING:**

Personal selling is also known as face-to-face selling in which one person who is the salesman tries to convince the customer in buying a product. It is promotional method by which the sales person uses his or her skills and abilities in an attempt to make a sale.

### **PERSONAL SELLING PROCESS:**



## **MAJOR ASPECTS OF PERSONAL SELLING:**

- Exhibiting professionalism.
- Negotiation.
- Relationship marketing.
- Public relations and publicity.

**Exhibiting professionalism :** A vast literature in the form of books, cassetters and CDs is available for selling. Sales-oriented approach focuses on stereo typed high pressure technique.

**Negotiation:** Negotiation is vital for business. Price and other terms are negotiated in case of long-term binding agreements.

**Relationship marketing:** The relationship marketing focuses on developing long-term, mutually beneficial relationship between two parties. Today's customers are global.

**Public relations and publicity:** A company must relate constructively to a large number of interested public. Public is any group that has an actual or potential interest in or has an impact on company's ability to achieve its objectives.

## **GUIDELINES FOR EFFECTIVE SALES PRESENTATION IN SERVICES:**

- Identifying buyer needs and expenditure.
- Facilitating quality assessment by customers of service offering.
- Educating buyers on alternate service offerings.
- Encouraging customers to involve in a word of mouth campaign.
- Making services tangible by associating services with physical evidence.
- Listening to customer's words and identifying customer needs.

## **FUNCTIONS OF PUBLIC RELATIONS DEPARTMENT:**

The eliminate questionable practices so that negative publicity does not arise against the company. PR departments perform the following functions:

- Press relations.
- Product publicity.
- Lobbying.
- Counseling.
- In-house journals.
- Special events.
- Public service activities.

## **AUDIENCE FOR PUBLIC RELATIONS:**

Public relation is different from customer relations. Because public relations go beyond the realm of customer relation. The audience identified for PR include-

- Intermediaries.
- Suppliers.
- Employees.
- Financiers.
- Government.
- Local communities.

## **DEFINITION OF DIRECT MARKETING:**

The direct marketing association defines direct marketing as “ an integrative marketing system that uses one or more advertising media to effect a measurable response and or transaction at any location”. Direct marketing makes use of wide array of devices:

- Face-to-face selling.
- Direct mail.
- Catalogue marketing.
- Telemarketing.
- Kiosk marketing.