

Foundation of Services Marketing

UNIT 1

Every economy in the world is made up of a combination of two things.

- Goods
- Services

Meaning of Services :

- **Services** are economic activities that produce time, place, form, or psychological utilities. Services are acts, deeds, or performances provided or co-produced by one entity or person for another entity or person; they are intangible.
- Simply speaking, service is the way how a provider or producer acts by means of its deeds, processes or performances so as to satisfy the expectations, motivations and unmet needs of the receivers of the outputs of such deeds, processes or performances.
- A **service** is intangible and perishable. It is created and consumed simultaneously (or nearly simultaneously).
- **Services** are activities provided by other people, who include doctors, dentists, barbers, waiters, or online servers.

- Other examples are IBM-repair and maintenance service for its equipment, Facebook provides with social networking features, The British Airways offers with world class flight experiences, Novatis Hospital offers quality healthcare solutions. These all are a few examples of services.
- The distinction between goods and services is not always clear-cut.
- For example, when we purchase a car, are we purchasing a good or the service of transportation. A television set is a manufactured good, but what use is it without the service of television broadcasting. When we go to a fast-food restaurant, are we buying the service of having our food prepared for us or are we buying goods that happen to be ready-to-eat food items.
- **In reality, almost all purchases of goods are accompanied by facilitating services, and almost every service purchase is accompanied by facilitating goods.**

Examples of Goods



Car Workshop



TV Repairs



Smartphone Repairs



Tennis Coach

Examples of Services

Definition of Services

- According to **American Marketing Association** services are defined as “activities, benefits or satisfactions which are offered for sale or provided in connection with the sale of goods.”
- According to **Philip Kotler** and **Bloom** services is defined as “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.”

Characteristics of Services :

1. **Intangibility**
2. **Inseparability**
3. **Heterogeneity**
4. **Perishability**
5. **No transfer of ownership**
6. **Nature of Demand**
7. **Quality Measurement**
8. **Simultaneity**
9. **Variability**

1. Intangibility

- The most basic and universally cited characteristic of services is intangibility, because services are performances or actions rather than objects, they cannot be seen, felt, tasted, or touched in the same manner that we can sense tangible goods.
- For example, when we buy a cake of soap, we can see, feel, smell and use to check its effectiveness in cleaning.
- But, when we pay fees for a semester in the university, we are paying for the benefits of deriving knowledge, skills and education which is delivered to us by teachers. Teaching is an intangible service.

2. Inseparability:

- In most cases a service cannot be separated from the person or firm providing it.
- Services cannot be separated from the service providers. In fact , the production, delivery and consumption of a service takes place simultaneously.
- For Ex : the entertainment industry, health experts and other professionals create and offer their services at the same given time.
- The telephone company produces telephone service while the telephone user consumes it. A plumber has to be physically present to provide the service.
- The service provider and the client are often physically present when consumption takes place.

3. Heterogeneity:

- Since services are performances, frequently produced by human beings, no two services will be precisely alike.
- Services are highly variable.
- The human element is very much involved in providing and rendering services and this makes standardization a very difficult task to achieve.
- The same type of services can not be sold to all the consumers even if they pay the same price.
- The doctor who gives us complete attention in one visit may behave a little differently in next visit.
- The new bank clerk who encashes our cheques may not be as efficient as the previous one and we may have to spend more time for the same activity.

4. Perishability:

- Perishability refers to the fact that services cannot be saved, stored, resold, or returned.
- Since services are deeds, performances or acts whose production and consumption takes place simultaneously, they tend to perish in the absence of consumption.
- Goods can be stored and sold at a later date in the absence of a customer. Services, on the other hand, go waste if they are not consumed.
- For ex , a train that leaves the railway station half full means that the services of the empty half remains unused.
- A seat on an airplane or in a restaurant, an hour of a professor's time, or telephone line capacity not used cannot be reclaimed and used or resold at a later time.
- If we do not use it today, it is lost for ever.

5. No Transfer of Ownership:

- When We buy a product, we become its owner-be it a pen, book, shirt, TV or Car. In the case of a service, we may pay for its use, but we never own it.
- By buying a ticket one can see the evening film show in local cinema theatre; by paying wages one can hire the services of a chauffeur who will drive his car; by paying the required charges .
- In case of a service, the payment is not for purchase, but only for the use or access to or for hire of items or facilities; and transfer of ownership does not take place.

6. Nature of Demand

- The demand for services, in most cases, is of fluctuating nature.
- For example, telephone service is active during day time compared to night hours. The number of people using the telephone during night hours is much less. It is for this reason that the telephone department is coming out with certain concessions for using the STD or ISD facilities during night hours. Likewise, although we have 24-hours hospital service, 24-hours banking and so on, the number of clients is not much during night time.
- People visiting hill stations prefer summer season to any other season. As a result, most of the lodges and travel organizations doing business in hilly regions will have to go without many clients during off-season.

7. Quality Measurement

- A service sector requires another tool for measurement. We can measure it in terms of service level. It is very difficult to rate or quantify total purchase.
- Ex we can quantify the food served in a hotel but the way waiter serves the customer or the behaviour of the staff cannot be ignored while rating the total process.
- Hence we can determine the level of satisfaction at which users are satisfied. Thus the firm sells good atmosphere, convenience to customers, consistent quality etc.

8. Simultaneity

- Services are rendered and consumed during the same period of time. As soon as the service consumer has requested the service, the particular service must be generated from scratch without any delay and friction.
- Services can not move through the channels of distribution and can not be delivered to the potential customers.
- Either the customers are brought to the services or the service providers go the user.
- The service consumer instantaneously consumes the rendered benefits for executing his upcoming activity or task.
- For ex : the tutor has to go the student to teach or the student has to come to the tutor to learn.

9. Variability

- Each service is unique. It is one time generated, rendered and consumed and can never be exactly repeated as the point in time, location, circumstances, conditions, etc.
- Many services lack homogeneity and are typically modified for each service consumer.
- For ex a taxi service consumer which transports the service consumer from home to the office is different from the taxi service which transports the same service consumer from his home to an outstation resort at another point of time.

Difference between Goods & Services

BASIS FOR COMPARISON	GOODS	SERVICES
Meaning	Goods are the material items that can be seen, touched or felt and are ready for sale to the customers.	Services are amenities, facilities, benefits or help provided by other people.
Nature	Tangible	Intangible
Transfer of ownership	Yes	No
Evaluation	Very simple and easy	Complicated
Return	Goods can be returned.	Services cannot be returned back once they are provided.
Separable	Yes, goods can be separated from the seller.	No, services cannot be separated from the service provider.
Variability	Identical	Diversified
Storage	Goods can be stored for use in future or multiple use.	Services cannot be stored.
Production and Consumption	There is a time lag between production and consumption of goods.	Production and Consumption of goods occurs simultaneously.

Importance of Services

Importance of Services

1. Share in Net National Product
2. Helps Industrialization
3. Expands Agriculture
4. Removes Regional Imbalances
5. Growth of Market
6. High quality of life
7. Increases Productivity
8. Rise in International Trade

REASONS FOR GROWTH OF SERVICES

REASONS FOR GROWTH OF SERVICES

1. Consumer affluence
2. Working women
3. DINK
4. Leisure time
5. Greater life expectancy
6. Product innovations
7. Product complexity
8. Complexity of life
9. New youth
10. Resource scarcity and ecology

1. **Consumer affluence:** Due to the fast rise in the income of consumers, they are attracted towards the new areas like clubs, health clubs, domestic services, travel and tourism, entertainment, banking, investment, retailing, insurance, repairs, etc. and these are growing much faster than ever before. There is a significant change in the pattern of family expenditure.
2. **Working women:** During the recent times a large number of women have come up in a variety of professions. The work performance of women in most of services sector like bank, insurance, airlines, etc. is highly appreciable. In short, women are getting involved in almost all male dominated activities. Due to increasing involvement of women in commercial activities, the services like domestic activities, fast food restaurants, marriage counselling, personal care, financial services, retailing, etc. have emerged in the recent times.

3. **Leisure time:** People do get some time to plan their travel and holiday, and therefore, there is a need for travel agencies, resorts, hotels and entertainment. There are others who would like to utilise this time to improve their career prospects, and therefore, there is a need for education, distance learning, part time courses, etc.
4. **Greater life expectancy:** According to the World Development Report and World Human Resource Index, the life expectancy of people has increased significantly all over the world barring few developing countries. It may be due to the advancement in the medical technology, and greater awareness about health and education. Greater life expectancy invites opportunities in services like hospitals, Nursing Homes, entertainment, leisure services, investment banking and so on.

5. **Product innovations:** In the changing time the consumers have become more conscious of quality than cost. They need high quality goods at par with international standards. Having this in mind the manufacturers have focused their attention on quality improvement, innovations, etc. In this process many more services have emerged on account of product innovation. Some of them are servicing services, repairs, computer, training and development, education, etc.
6. **Product complexity:** A large number of products are now being purchased in households which can be serviced only by specialised persons e.g. water purifiers, microwave oven, computers, etc., giving rise to the need for services. The growing product complexities create greater demand for skilled specialists to provide maintenance for these complex products and brings out other services like expert advise, consultancy services, etc.

7. **Complexity of life:** Certain product and services have made human life more comfortable and complex as well. Also, life itself has become more complex due to the socio-economic, psycho-political, technological and legal change. This has brought about the emergence of services like legal aid, tax consulting, professional services, airlines, courier services, insurance, banking, etc.
8. **New young youth:** Every new generation has its own characteristics and enjoys a different life style. There is a lot of difference between the generations in respect to their living conditions/ styles, maturity, thinking, attitudes, behaviour, beliefs, satisfactions, performance values and so on. Today's generation with all these changes provide more opportunities to services like entertainment, fast food, computers, travel, picnic resorts, educational institution, counselling, retailing, etc.

9. **Resource scarcity and ecology:** As the natural resources are depleting and need for conservation is increasing, we have seen the coming up of service providers like pollution control agencies, car pools, water management, etc.

Classification of Services

Classification of Services

Degree of Tangibility of Service Process

NATURE OF THE ACT

RECEIPIENT OF THE ACT

Service directed at people's bodies

Service directed at physical possession

TANGIBLE ACTION

- Health Care
- Hair cutting
- Passenger Transportation
- Restaurant

- Freight transportation
- Industrial equipment maintenance
- Laundry and dry cleaner
- Veterinary care

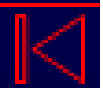
INTANGIBLE ACTION

Service directed at people's minds

Service directed at Intangible Assets

- Education
- Broadcasting
- Information services
- Theatres
- Museums

- Banking
- Legal service
- Security
- Insurance



1) Classification of service based on tangible action :

Wherever people or products are involved directly, the service classification can be done based on tangibility.

- a) **Services for people** – Like Health care, restaurants and saloons, where the service is delivered by people to people.

- b) **Services for goods** – Like transportation, repair and maintenance, laundry dry cleaners and others. Where services are given by people for objects or goods.

2) Classification of services based on intangibility

There are objects in this world which cannot be tangibly quantified. For example – the number of algorithms it takes to execute your banking order correctly, or the value of your life which is forecasted by insurance agents. These services are classified on the basis of intangibility.

- a) **Services directed at people's mind** – Services sold through influencing the creativity of humans are classified on the basis of intangibility. Ex Education, Theatre

- b) **Services directed at intangible assets** – Banking, legal services, and insurance services are some of the services most difficult to price and quantify.

Four I's of Services

1. Intangibility
2. Inconsistency
3. Inseparability
4. Inventory

1. Intangibility:

- Unlike products, services cannot be held, touched, or seen before the purchase decision therefore, they should be made tangible to a certain extent. Marketers should “tangibilize the intangible” to communicate service nature and quality.
- This means that the services are performed and delivered at particular level of quality.
- Insurance is a guarantee against risk and neither the risk nor the guarantee is tangible. Insurance rightly come under services, which are intangible. Efforts have been made by the insurance companies to make insurance tangible to some extent by including letters and forms.
- University degree is a tangible evidence of the education services and knowledge acquired by you.
- Certificate issued a pollution control agency is a tangible evidence of the required checks done on the vehicle prove that emission levels are under control.

2. Inconsistency:

- Service quality is often inconsistent. This is because service personnel have different capabilities, which vary in performance from day to day. This problem of inconsistency in service quality can be reduced through standardization, training and mechanization.
- The services performed by an individual provider may differ overtime. Interaction b/n customer and provider may vary by customer, companies which are highly equipment & system based & less people based on reduce inconsistency in services.
- In insurance sector, all agents should be trained to bring about consistency in providing service or, the insurance process should be mechanized to a certain extent. Eg: the customers can be reminded about the payment of premium through e-mails instead of agents.
- Bank ATM provides consistent services.
- Mc Donald's have been able to achieve consistency in services delivery by adopting production line approach to services and standardizing every aspect of services operation down to the width of the smile that each customer should be greeted with.

3. Inseparability:

- Services are produced and consumed simultaneously. Consumers cannot and do not separate the deliverer of the service from the service itself. Interaction between consumer and the service provider varies based on whether consumer must be physically present to receive the service.
- Many services are created delivered & consumed simultaneously through interaction b/n customer and services product e.g.- dental care by a dentist.
- In insurance sector too, the service is produced when the agent convinces the consumer to buy the policy and it is said to be consumed when the claim is settled and the policyholder gets the money. In both the above cases, it is essential for the service provider (agent) and the consumer (policy holder) to be present.

4. Inventory:

- The inventory relates to **Perishability**. The services cannot be easily saved stored for the future use.
- e.g. –empty seat in a 10 am flight to Mumbai from Delhi cannot be carried over to provide more seating in next flight.
- The combination of perishability & Fluctuating demand present challenges for marketers engaged in product planning, pricing, promotion, distribution of services.
- Restaurants offer “Happy Hour” rates to invite customer for easily dinner hours.
- Mc Donald use part –time employee (contester person) to meet the peak hour rush.

Distinctive Characteristics of Services

1. Intangibility
2. Inseparability
3. Perishability
4. Variability

Three R's of Service Quality

1. **Reliability**
2. **Responsiveness**
3. **Respect**

1. Reliability

- It is the ability to perform the promised service dependably and accurately.
- Reliability means that the company delivers on its promises-promises about delivery, service provision, problem resolutions and pricing.
- Customers want to do business with companies that keep their promises, particularly their promises about the service outcomes and core service attributes.
- All companies need to be aware of customer expectation of reliability.
- Firms that do not provide the core service that customers think they are buying fail their customers in the most direct way.
- A service based brand can only survive based on a reliable offering.

2. Responsiveness

- It is the willingness to help customers and provide prompt service.
- This dimension emphasizes attentiveness and promptness in dealing with customer's requests, questions, complaints and problems.
- Responsiveness is communicated to customers by length of time they have to wait for assistance, answers to questions or attention to problems.
- Responsiveness also captures the notion of flexibility and ability to customize the service to customer needs. The supplier must ensure that the customer's expectations for responsiveness are met or the customer will start to look for alternatives.
- Take ownership of a problem and be solution-oriented, greet the customer promptly and do not leave the customer on hold too long.

3. Respect

- Once a service offering is consistently reliable and responsive it is the respect that separates the premium service offerings from the rest of the field.
- A customer who feels respected will be more satisfied and loyal.
- Companies should be more attentive, use the customer's name, and be exceptionally personable to their customers.

Retail Financial Services

- Debit Cards
- Credit Cards
- Retail Loans
- Insurance Services
- Credit Services
- Investment Services

Insurance Services

- Insurance is a means of protection from financial loss. It is a form of risk management used to hedge against the risk of a contingent, uncertain loss.
- An entity that provides insurance is known as **Insurer, Insurance company**.
- A person or entity which buys insurance is known as an **Insured or Policy holder**.
- The insured receives a contract called **Insurance Policy**, which details the conditions and circumstance under which the insured will be financially compensated.
- The amount of money charged by the insurer to the insured for the coverage set forth in the insurance policy is called the **Premium**.

Methods of Insurance

- Co Insurance – risks shared b/w Insurers.
- Dual Insurance – risks having 2 or more policies with same coverage.
- Self Insurance – situations where risk is not transferred to insurance companies and sole retained by the entities or individuals themselves.
- Reinsurance – situations when insurer passes some part of or all risks to another insurer.

Types of Insurance

- **Life Insurance** : a life insurance contract is a contract whereby the insurer agrees to pay a certain amount of money to the person insured or his/her nominee on the happening of the event insured against the consideration of a certain premium by the insured. The goal of life insurance is to provide a measure of financial security for your family after you die.
- **Non Life Insurance** : non-life insurance is any type of insurance other than life insurance. While life insurance is broken down into permanent and term life policies, non-life insurance includes many types of other insurance policies. Non-life insurance may cover people, property or legal liabilities. Ex : Auto , Property, health, travel, credit insurance etc.

Credit Services

- Credit is the trust which allows one party to provide money or resources to another party where that second party does not reimburse the first party immediately but instead promises either to pay or return the resources at a later date.
 - Bank Issued Credit
 - Trade Credit
 - Consumer Credit

MARKETING

What is Marketing ?

- Marketing is the process by which companies create customer interest in products or services.
- Marketing is used to identify the customer, to keep the customers and to satisfy the customer.
- It generates the strategy that underlies sales techniques, business communication and business development.
- It is an integrated process thru which companies build strong customer relationship, creates value for their customers and for themselves.
- The marketing concept holds that achieving organisational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions.
- It proposes that in order to satisfy its organisational objectives, an organisation should anticipate the needs and wants of consumers and satisfy these more effectively then competitors.

Definition

- “Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.”
- “Marketing is the process of anticipating, managing, and satisfying the demand for products, services, and ideas.”
- “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”
- The management process responsible for identifying , anticipating and satisfying customer requirements profitability.

What is Marketed ?

1. Goods
2. Services
3. Experiences
4. Events
5. Persons
6. Places
7. Properties
8. Organisations
9. Ideas
10. Information

Services Marketing

- Services Marketing refers to the marketing of services as against tangible products.
- Services marketing is focused on selling anything that is not a physical product.
- This includes everything from personal services like medical care and spa treatments, to the rental of vehicles and spaces, to experiences like concerts and dance lessons.
- Any method that can communicate a service's appeal and benefits to customers is a valid approach, including informational content, promotional deals, advertisements, and many other kinds of marketing materials.

Importance of Service Marketing

1. Key differentiator
2. Importance of relationship
3. Customer Retention
4. Multiple touch points
5. Feedback improves services
6. Technology Impacts

Managing Service Encounters

- Service encounter is the face-to-face contact between two individuals, both with their own set of needs, expectations and resultant interaction.
- These individuals are the customer (demand side of the service encounter) and the staff member (supply side) who delivers a service or sells a product which, from his point of view, will satisfy the need(s) of the customer.
- Many services especially those classified as high contact involve numerous encounters b/w customers and service employees, either in person or remotely by phone or email.
- Service encounters may also take place b/w customers and physical facilities or equipment. In low contact services, customers are having more and more encounters with automated machines that are designed to replace human personnel.

Every service encounter is an opportunities to build satisfaction and quality.

Richard Norman, a Paris based Swedish consultant coined the metaphor “Moment of Truth”.

1. It is where promises are kept or broken.
2. It is from these service encounters that customers build their perceptions.
3. These encounters present an opportunity to prove its potential as a quality service provider and to increase customer loyalty.

Importance of Service Encounters

1. If a customer is interacting with a firm for the first time, the initial encounter will create a first impression of the organisation.
2. Even when the customer has had multiple interaction with firm, each individual encounter is important in creating the composite image of the firm in the customers memory.
3. Many positive experiences add up to a composite image of high quality.
4. Certain encounters are key to customer satisfaction.

Make it easy and pleasant for customers to contact :

1. Customer should know how to contact and it should be made easy.
2. They should be able to choose whatever contact medium best suited to them.
3. Customers should be received by knowledgeable, polite and empowered individuals who are obviously interested in meeting customer needs.
4. Issues raised should not keep recurring.
5. Information requested should be readily available, easily understood and free of jargon.

Thank You