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**MARKETING MANAGEMENT-II**  
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### **Unit-3 Service Marketing**

- Introduction of Service Marketing,
- Characteristics of Service,
- Classification of Service,
- Service Marketing Mix,
- Introduction of Service Quality,
- Determinants of Service Quality,
- 4 P's of Service Marketing.

#### **INTRODUCTION**

Concept of Service a service is an act or offered by one party to another . Although the process may be tied to a physical product , the performance is essentially intangible and does not normally result in ownership of any of the factors of production .

Services are economic activities that create value and provide benefits for customer's specific times and places , as a result of bringing about a desired change in or on behalf of the recipient of the service . Service is those separately identifiable , essentially intangible activities which provide want - satisfaction , and that are not necessarily tied to the sale of a product or another service . To produce a service may or may not require the use of tangible goods . However when such use is required , there is no transfer of title permanent ownership to these tangible goods .

One common method of defining a service is to distinguish between the core and peripheral elements of that service . The ' core service offering is the necessary outputs of an organization which are intended to provide the intangible benefits customers are looking for . Peripheral services are those which are either indispensable for the execution of the core service or available only to improve the overall quality of the service bundle

Services include all economic activity whose output is not a physical product or construction , is generally consumed at the time it is produced , and provides added value in forms ( such as convenience , amusement , timeliness , comfort or health , that are essentially intangible concerns of its first purchaser

#### **Examples of services are :**

Transportation & public utilities , Hotels and other lodging places , Rail - road transportation , Personal services , Local and inter - urban passenger transit Business services , Trucking and warehousing Auto repair , services and garages , Water transportation , Miscellaneous repair

services , Air transportation , Motion pictures , Pipelines except natural gas , Amusement and recreation services , Health service . Communication , Legal services , Telephone and telegraph , Educational services , Radio and television broadcasting , Social services and membership organizations , Electricity . Gas , Sanitary services , Miscellaneous professional services , Wholesale trade , Private household services , Retail trade , Finance , insurance , and real estate , Banking , Military Credit agencies other than banks , Government enterprises Security & commodity brokers , Local government , Real estate , Education . Holding and other investment companies and Other services .

## **CHARACTERISTICS OF SERVICES**

Service is an act or performance offered by one party to another . They are economic activities that create value and provide benefits for customers at specific times and places as a result of bringing about a desired change in or on behalf of the recipient of the service . The term service is not limited to personal services like medical services , beauty parlours , legal services , etc. According to thinkers the concept of services is wider to the marketing experts and management one . The term services are defined in a number of ways but not a single one is universally accepted . The distinct characteristics of services are mentioned below .

### **1. Intangibility**

Services are intangible we cannot touch them are not physical objects . A consumer feels that he has the right and opportunity to see , touch , hear , smell or taste the goods before they buy them . This is not applicable to services . The buyer does not have any opportunity to touch , smell , and taste the services . While selling or promoting a service one has to concentrate on the satisfaction and benefit a consumer can derive having spent on these services ,

-For e.g. An airline sells a flight ticket from A destination to B destination . Here it is the matter of consumer's perception of services than smelling it or tasting it . Intangibility presents several marketing challenges . Services cannot be inventoried , and therefore fluctuations in demand are often difficult to manage . It cannot be patented legally , and new service concepts can , therefore , easily be copied by competitors . It cannot be readily displayed or easily communicated to customers , so quality may be difficult for consumers to assess . The actual costs of a unit of service are hard to determine and the price / quality relationship is complex .

### **2. Perishability Services**

too , are perishable like labour , Service has a high degree of perishability Here the element of time assumes a significant position .

If we do not use it today , it is labour if ever . If labour stops working , it is a complete waste . It cannot be stored . Utilized or unutilized services are an economic waste . An unoccupied building , an unemployed person , credit unutilized , etc. are economic waste . Services have a high level of perishability . A primary issue that marketers face in relation to service perishability is the inability to hold inventory . Demand forecasting and creative planning for capacity utilisation are , therefore , important and challenging decision areas . The fact that services cannot typically be returned or resold also implies a need for strong recovery strategies , when things do go wrong . The perishability of services is not a problem when demand is

steady because it is easy to staff for the service in advance . Several strategies for producing a better match between demand and supply in a service business . On the demand side , the firm can make use of differential pricing , cultivating non - peak demand and developing complementary services . On the supply side , for effective matching with demand , the firm may hire part time employees to serve peak demand ; peak - time efficiency routines can be introduced , facilities for future expansion can be developed , and increased consumer participation can be encouraged .

### **3.Inseparability :**

In most cases a service cannot be separated from the person or firm providing it . A service is provided by a person who possesses a particular skill ( singer , doctor , etc. ) , by using equipment to handle a tangible product ( dry cleaning ) or by allowing access to or use of a physical infrastructure ( hotel , train , etc. ) . Services are typically produced and consumed at the same time . The relationship between production and consumption , therefore , dictates that production and marketing are highly integrated processes . The telephone company produces telephone service while the telephone user consumes it . A plumber has to be physically present to provide the service ; the beautician has to be available to perform the massage . The service provider and the client are often physically present when consumption takes place . 96 Since services often are produced and consumed at the same time , mass production is difficult if not impossible . The quality of service and customer satisfaction will be highly dependent on actions of employees and the interactions between employees and customers .

### **4. Heterogeneity**

Since services are performances , frequently produced by human beings , no two services will be precisely alike . The human element is very much involved in providing and rendering services and this makes standardization a very difficult task to achieve . The doctor who gives us complete attention in one visit may behave a little differently in next visit . The new bank clerk who er cashes our cheques may not be as efficient as the previous one and we may have to spend more time for the same activity . This is despite the fact that rules and procedures have been laid down to reduce the role of the human element and ensure maximum efficiency . Airlines , banks , hotels , etc. Lave a large number of standardized procedures .

Human contact is minimal in the computerized reservation systems , but when we go to the hotel there will be a person at the reception to hand over the key of the reserved room . The way that person interacts with us will be an important factor in our overall assessment of the service provided by the hotel . The rooms , the food , the facilities may be all perfect , but it is the people interacting with us who make all the difference between a favourable and unfavourable perception of the hotel . Heterogeneity also results because no two customers are precisely alike ; each will have unique demands or experience the service in a unique way . Thus , the heterogeneity connected with services is largely the result of human interaction ( between and among employees and customers ) and all of the vagaries that accompany it .

Services are heterogeneous across time , organizations , and people and as a result , it is very difficult it ensure consistent service quality . Quality actually depends on many factors that cannot be fully controlled by the service supplier , such as the ability of the consumer to articulate his or her needs , the ability and willingness of personnel to satisfy those needs , the presence ( or absence ) of other customers , and the level of demand for the service . Because

of these complicating factors , the service manager cannot always know for sure that the service is being delivered in a manner consistent with what was originally planned and promoted .

## **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 we can have a marketing research firm survey into the reasons for our product's poor sales performance , etc. 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 ..

In the sale of goods , after the completion of process , the goods are transferred in the name of the buyer and he becomes the owner of the goods . But in the case of services . we do not find this . The users have only an access to services . They cannot own the service . AK RA For e.g. a consumer can use personal care services or medical services or can use a hotel room or swimming pool , however the ownership remains with the providers .

## **CLASSIFICATION OF SERVICES**

Services may be classified on the basis of the following criteria :

### **1. On the basis of the Nature of Service Activity**

Different types of Services result in different levels of customer involvement . If services are deeds , acts , or performances , wo questions arise .

At whom is the activity directed ?

Is the activity tangible or intangible ?

### **2. Mode of Service Delivery**

Customer faces great inconvenience when he has to come to the service and the service is available on a single outlet . Convenience is greater when the service goes to the customer or the service is available at multiple outlets .

The key questions here are :

Does the firm currently require customers to be in direct physical contact with personnel , equipment , and facilities ?

If the firm does require direct physical contact , do customers have to visit the facilities of the service organization or will the latter send personnel and equipment to customer's own sites ?

Alternative can transaction between provider and customer be completed at arm's length ?

### **3. Relationship between service organization and customer**

Nature of services delivery	Type of relationship the service organization and its customers
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	Membership relationship	No formal relationship
Continuous delivery of service	Insurance Cable tv subscription college enrolment banking	Radio station Police protection Lighthouse Public highway
Discrete transaction	Long distance calls Theater series subscription Travel on computer ticket Repair under warranty Health treatment for hmo member	Car rental Mail services Toll highway Pay phone movie theater Public transportation Restaurant

#### 4. Service inputs

What is service inputs ?	What is the nature of the input ?	
Equipment based	1. Automated Vending machines Automatic machines	2. Non automated Computers Dry cleaning Lift operators
Intangibles actions	3. Skilled Accounting Legal Medical Plumbing Motor repairs	4. Unskilled Watchman Gardeners

#### 5. Degree of Contact

In some services , e.g. , education , hospitality , theatre performance the customer has high contact with the service provider . On the other hand , in case of dry - cleaning , telecommunications and broadcasting the contact is low .

#### 6. Target Group

Some services . e.g. , transport , communication , television , and radio broadcasts are directed at the public . On the other hand , beauty care , accounting , restaurants services are directed at individuals . Public services are non - profit whereas private services are aimed at profit .

### SERVICE MARKETING MIX

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

## **Product**

The product in service marketing mix is intangible in nature . Like physical products such as 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 a restaurant blue print will be prepared before establishing a product . For example restaurant business . This service blue print defines exactly how the product ( in this case . the restaurant ) is going to be . –

## **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 ambience 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 ,

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

## **Placement**

Place in case of services determine where 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 ,

## **People**

Your business is not just built of your goals , company vision and principles but also depends heavily on your employees It is the people who work for you who are responsible in creating

happy and returning customers . People in your organization are the epicentre of the quality of your services and need to have the best of talents to gain customer loyalty and trust .

**Here on we start towards the extended service marketing mix .**

### **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 behavior towards customers define you in case of service marketing . people can make or break in 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 . Definitely a USP in case of services .

### **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 und Fedex . Both the companies thrive on their quick service and the reason the 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 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 .

**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 This is the service marketing mix ( 7p ) which is also known as the extended marketing mix .

### **Introduction**

Every day we interact with various economic activities like getting courier delivered at the requested address , making phone call to friend . relative , or client , having coffee at coffee shop , or taking metro to commute because they involve deed or act and offered by one party to another for sale . office . Such activities are called services UR Services differ from goods in many ways . marketed , and consumed is not the approach is necessary for the marketing of services . The way a product is produced , distributed , way a service is . Hence , a different marketing Today , in this post we are going to explain - What services are ? What are the characteristics of services ? How services are marketed ?

## 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 Services** are cannot be touched or hold , they are intangible in nature . For example you can touch your Smartphone . But , you cannot hold or touch the serves of your telecom service provider .

**2.Inseparability** - In case of services the production , distribution , and consumption takes place simultaneously . These three functions cannot be separated .

**3. Variability** - It is impossible to provide similar service every time . You II experience some change every time you buy a particular service from a particular service provider . For example - Yesterday you had a coffee a : CCD . Today , you are again at CCD to have a coffee , but you have got different place to sit today ; the person served you coffee is different today ; other people having coffee are also different today . Hence , your experience of having coffee today is different as compared to yesterday .

**4. Perish - ability** - You can store goods , but it is not so in the case of services . Services get perished immediately .

**5. Participation of customer** - Customer is co - producer in production of services . For delivery customer involvement is as important as is of the service provider .

for example - if you went to a parlour for haircut how it cannot be possible without your presence and involvement

No ownership - In the sale of services , transfer of ownership not take place . It means to say that consumer never own the services

## SERVICE QUALITY ( Characteristics )

Quality needs to be understood and managed throughout a service organization . Four areas in particular may serve as an arena within which the question of quality can be addressed

1. **Service encounter** the customer interacts with animate the service employees ) and inanimate objects ( the physical evidence , e g . , an information sign ) . • How knowledgeable and courteous is the service employee ? • How effective is the sign in term of visibility , information provided , positioning ? • How can the customer contribute to the quality of the encounter ? What contribution do script theory and role theory make ?
2. **Service design** the customer goes through a process to obtain a service , • How well designed is the process ? • Is there a blueprint / flowchart of the process ? • To what



extent is there flexibility in the system ? • Does the process require customization of standardization ?

3. **Service productivity** - there is a relationship between the quantity and quality of goods or services produced and the quality of resources used to produce them .
4. **Service organization and culture** . organized can affect the quality of service . • What are the possible relationships between changes in quality and changes in quantity ? i.e. , if quantity increases ( number of patients seen by a general practitioner ) what effect could that have on the quality of service ? the culture of an organization and the way it is • How do the various organization a key to understanding the kind of service produced ? cultures ( power , role , achievement and support ] act as • What characteristics / features of an organization enable it to respond positively to customer needs and deliver a quality service ?

## DETERMINANTS OF SERVICE QUALITY

The dimension of service quality is listed below and how these are used by customers to evaluate service quality .

**1. Tangibles** : The physical appearance of the facilities , staff , buildings , etc. , e.g. Does the equipment appear modern ? How clean is the waitress s apron ?

**2. Reliability** : The ability to reproduce the same level of service again and again eg .. Is feedback regarding student progress always given ? Are messages always passed on ?

**3. Responsiveness** : - The speed with which queries etc. and dealt with eg . Are letters replied to by return of post , or does it take a month ? Is feedback on assignments given within a week in time for students to assimilate the information , or does the feedback come too late , after the examination has been taken ?

**4. Communication** : The clarity and understandability of the information given to the client , e.g. Does the doctor take the time to explain in terms the patient can understand , what is going to happen next ? Does the solicitor explain clearly what the legal jargon means ?

**5. Credibility** : The trustworthiness of the service provider , e.g. Does the newspaper reporter report all the facts or only those which support his / her argument ? Does the financial adviser present all the options or only those which earn him / her the most commission ?

**6. Security** : The physical safety of the customer or privacy of client information , e.g. Are the medical records of patients kept confidential ? Are the stands in the football ground strong enough to support the weight of all the supporters ?

**7. Competence** : The actual technical expertise , of the service provider , e.g. Is the doctor really qualified to perform heart surgery ? Does the financial adviser have sufficient knowledge of all the relevant tax regulations ?

**8. Courtesy** : The attitude of the service provider and manner adopted by the server , e.g .. Is the receptionist friendly , helpful and polite ? Does the doctor treat the patient as an inferior being ?

**9. Understanding :** How well the provider of the service understands the client's needs e.g. Does the bank recognize that most clients cannot get to the bank in working hours ? Are there mirrors positioned in the hotel bathrooms which allow guests to see the back of their hair ?

**10. Access :** How easy is it to reach the service provider , geographically or by phone , e.g Are there car parking facilities close to the solicitor's office ? Does it always take five attempts to get the solicitor on the phone ?

## **STRATEGIES FOR RECOVERING SERVICE QUALITY FAILURES :**

When a service failure occurs , service recovery strategies will be needed to be implemented by service organizations . This long - term strategy will be embedded as part of organization's overall service strategy . Service recovery is about variety of strategies to solve the specific context of the problem . strategies by Zeithaml et al . are : the combination of a The proposed eight strategies by Zeithaml et

1. **Make the service fail - safe :** The first strategy is to make the service fail - safe by doing it right the first time . It avoids negativities of failures and it is the most important dimension of service quality . In order to achieve that , there must be a top management commitment and a positive firm culture of ' zero defection ' and appreciate relationship value of customers ' to uphold the standards of service without blindly adopting the Total Quality Management from the product perspective .
2. **Encourage and track complains :** The second strategy is to encourage and track complaints . According to research , almost 50 % of customers encountered problems by do not complain . This segment will have a higher chance of switching to competitor as organization has no control over it . Encouraging complaint is healthy and it will allow organization to learn . Tracking complaints will ensure no complaints are left out . Technology can be used to aid in handling of complaints .
3. **Act quickly :** The third strategy is to act quick !. Complaining customers want quick responses and do not want to be ping - pong around different employees , which will seem to be shirking responsibilities . Even when full resolution is likely to take longer , fast acknowledgement is required to appease them . There is positive correlation between fast service recovery with satisfaction and loyalty

**4. Provide adequate explanation :** The fourth strategy is to provide adequate explanations . This allows customers to understand why the failure occurred . According to attribution theory , customer will understand and appreciate what is going on and they will be more forgiving . The content and the style of the delivery must be suitable to the affected customers subjectively

**5. Treat customers fairly :** The fifth strategy is to treat customers fairly . They want justice in their complaint - handling process , which involves procedure ( speed !, convenience , follow - up etc ) , interaction ( behaviour of service representatives ) and outcome . Therefore it is important that the process be handled properly to return them the justice they seek . Recent research indicates that justice considerations have a large impact on how customers evaluate firm's recovery effort . Therefore , if they do not perceive themselves being just , they will rate the recovery badly even when it is perfectly done .

**6. Cultivate relationship with customers :** The sixth strategy is to cultivate relationship with customers . Long term relationship will allow customers to be more forgiving and

open to the recovery process . Cultivation of strong relationship can provide an important buffer to service firms when failures occur . The biggest challenge would be to restore their confidence and trust again .

**7. Learn from recovery experience :** The seventh strategy is to learn from recovery experience . Organizations can learn through using tools to help evaluate experiences . They can use blueprinting , control charts , fishbone diagram ( cause and effect diagram ) to use those acquired knowledge in their recovery effort . The last strategy is to . learn from lost customers through market research and get into the root cause analysis of why they left .