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Topic: Introduction

SubTopic: Introduction: Difference between Product and Services Marketing, Characteristics of Services Classification of Services, Paradigms in Services Marketing

Service Marketing System: Service Quality, Understanding Customer Expectations and Zone of Tolerance, Segmentation and Zone of Tolerance, Targeting and Positioning of Services

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Introduction

Defining services

One of the first to define services was the American Marketing Association, which, as early as in 1960, defined services as activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods. This definition took a very limited view on services as it proposed that services are offered only in connection with the sale of goods.

The other definition which was proposed, in 1963, by Regan suggested that services represent either intangibles yielding satisfaction directly (transportation, housing), or intangibles yielding satisfaction jointly when purchased either with commodities or other services (credit, delivery). For the first time services were considered as pure intangibles capable of providing satisfaction to the customer which could be marketed like tangible products. Robert Judd defined service as market transaction by an enterprise or entrepreneur where the object of the market transaction is other than the transfer of ownership of a tangible commodity.

Lehtinen, in 1983, defined services as an activity or a series of activities which take place in interactions with a contact person or a physical machine and which provides consumer satisfaction.

Kotler and Bloom, in 1984, defined services 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.

Difference between product and services

- Products **are tangible** – they are physical in nature such that they can be touched, smelled, felt and even seen. Services are intangible and they can only be felt not seen.
- **Need vs. Relationship**– a product is specifically designed to satisfy the needs and wants of the customers and can be carried away. However, with a service, satisfaction is obtained but nothing is carried away. Essentially, marketing of a service is primarily concerned with creation of customer relationship.
- **Perishability**- services cannot be stored for later use or sale since they can only be used during that particular time when they are offered. On the other hand, it can be seen that products are perishable. For example, fresh farm and other food products are perishable and these can also be stored for later use or sale.
- **Quantity**- products can be numerically quantified and they come in different forms, shapes and sizes. However, services cannot be numerically quantified. Whilst you can choose different service providers, the concept remains the same.

- **Inseparability-** services cannot be separated from their providers since they can be consumed at the same time they are offered. On the other hand, a product can be separated from the owner once the purchase has been completed.
- **Quality-** quality of products can be compared since these are physical features that can be held. However, it may be difficult to compare the quality of the services rendered by different service providers.
- **Returnability-** it is easier to return a product to the seller if the customer is not satisfied about it. In turn, the customer will get a replacement of the returned product. However, a service cannot be returned to the service provider since it is something that is intangible.
- **Value perspective-** the value of a service is offered by the service provider while the value of the product is derived from using it by the customer. Value of a service cannot be separated from the provider while the value of a product can be taken or created by the final user of the product offered on the market.

Product	Services
A product is tangible, it is physical and can be held, seen and movable	A service is intangible, can only be felt and not touched
Product value is derived by the customer	Value of service is offered by the service provider
A product can be stored for future use	A service is perishable and cannot be stored for later use or sale
A product can be owned	A service cannot be owned by the consumer once payment has been made
The quality of a product depends its nature	Quality of a service depends on the service provider who shapes it
A product can be returned to the seller	A service cannot be returned to the seller
The billing process of a service is a once off transaction	Billing process can be continuous in the form of subscriptions for services rendered
It is easy to compare quality of products	It is difficult to compare the quality of services offered
Products can be quantified numerically.	Services cannot be quantified in terms of numbers

Service – Classification of Services

There are numerous varieties of services. The numerous varieties of services can be classified into certain categories or types on the basis of certain criteria.

Classification of services into certain categories or types serves certain purposes.

The purposes of classification of services into various categories are:

1. The classification helps to understand the nature of different services.
2. The classification is helpful to understand the attributes of a service product.
3. The classification is helpful to understand the relationship between service organisations and their customers.
4. The classification is helpful to understand the nature of a service demand.
5. The classification is helpful in solving issues connected with planning and designing of services.

The criteria used for the classification of services and the various classifications of services are:

1. Classification Based on the Ultimate Users of Services:

On the basis of the ultimate users of services, services can be classified into two categories.

They are:

(a) Services to final consumers – Services to final consumers are services which are provided to ultimate consumers. Examples of such services are recreation and entertainment services, tourism, hair-dressing and other personal care services, etc.

(b) Services to business firms – Services to business firms refer to services rendered by a service organization to business firms. Examples of these services are advertising, marketing research, maintenance and repairs, installation of plants and equipments, computer programming, consultancy, legal, accountancy, etc.

2. Classification Based on the Degree of Intangibility of Services:

On the basis of the degree of intangibility, services can be classified into two broad categories.

They are:

(a) Low intangible content services or highly tangible services – Low intangibility content services are those services which have low intangibility content or which have high tangibility content. Examples of these services are fast food services, vending machines, etc.

(b) High intangibility content services or highly intangible services – High intangibility content services refer to services which have high intangibility content or which are highly intangible. Examples of these services are consultancy services, legal services, baby-sitting, etc.

3. Classification Based on Service Options:

On the basis of service options, services can be classified into two categories.

They are:

(a) Primarily people-based services – Primarily people-based services refer to services which are primarily people-based or labour intensive. Examples of these services are restaurant, insurance, medical services, etc.

(b) Primarily equipment – based services – Primarily equipment – based services refer to services which are primarily equipment – based and which involve low contact with people. Examples of these services are vending machines, automatic teller machine services in banks, cinema, etc.

4. Classification Based on Specialisation:

On the basis of the expertise, skill and specialisation of the service providers, services can be classified into two categories.

They are:

(a) Professional services – Professional services refer to services rendered by skilled specialised professionals to business firms and ultimate consumers. Legal services, medical services, consultancy services, accountancy and auditing services, etc. are examples of professional services.

(b) Non-professional services – Non-professional services refer to services provided by non-professional persons. Baby-sitting, domestic help, etc. are examples of non-professional services.

5. Classification Based on Profit-Oriented:

On the basis of profit-orientation (i.e., profit motive), services can be classified into two categories.

They are:

(a) Profit-Oriented Services – Profit-oriented services refer to services rendered primarily with profit motive. In other words, they are commercial services designed for profit. Examples of profit-oriented services are banking service, insurance service, hotel, restaurant and catering services, tour operation, airline service, etc.

(b) Non-profit-oriented services – Non-profit-oriented services refer to services rendered without any profit-orientation or profit motive. Examples of such services are educational services by Government, hospital services by Government, services of cultural organisations, services of welfare organisations, services of religious institutions, services of research foundations, etc.

6. Classification on the Basis of the Fact whether they are Primarily Directed at Public at Large or Primarily Directed at Individuals:

On the basis of the fact, whether the services are primarily directed at public at large or primarily directed at individuals, services can be classified into two categories.

They are:

(a) Public services – Public services refer to services which are primarily directed at (i.e., provided to) public at large. Examples of public services are public utility services, transport services, insurance services, municipal services, etc.

(b) Private services – Private services refer to services which are primarily directed at individuals. In other words, they are services designed for and used by consumers as individuals. Examples of private services are personal care services, medical advice, etc.

7. Classification on the Basis of the Extent of Contact between the Service Provider and the Consumer:

On the basis of the extent of contact between the service provider and the consumer, services can be classified into two categories.

They are:

(a) High contact services – High contact services refer to services in which the consumers or users have to spend more time with service providers to acquire or utilise the services. Examples of high contact services are medical services, personal care services, etc.

(b) Low contact services – Low contact services refer to services in which the consumers or users have to spend less time with the service providers to acquire or use the services. Examples of low contact services are internet services, hospitality, theatre performance, etc.

8. Classification on the Basis of Number of Delivery Outlets:

On the basis of the number of delivery outlets, services can be classified into two categories.

They are:

(a) Single or specific outlet services – Single or specific, outlet services refer to services which are provided to customers through a single outlet. In this case, the convenience of receiving the service is less. Examples of these services are theatre services, museum services, etc.

(b) Multiple outlet services – Multiple outlet services refer to services which are provided to consumers through many outlets. In this case, the convenience of receiving the services is more. Examples of these services are fast food service, bus service, etc.

9. Classification of Services as External and Internal:

Services can also be classified as:

(a) External services – External services refer to services provided by a service organisation to external or outside agencies. Examples of these services are installation services, distribution services, etc.

(b) Internal Services – Internal services refer to services provided by the service provider within the organisation. Examples of these services are internal transport, office cleaning, etc.

DISTINCTIVE CHARACTERISTICS OF SERVICES AS COMPARED TO PRODUCTS

Services have five special characteristics which have to be considered by companies while designing marketing programmes and strategies. These are the characteristics which are distinctive to services, as compared to products. They are given below:

1. Intangibility
2. Heterogeneity (Variability)
3. Simultaneous Production and Consumption
4. Perishability
5. Ownership

1. Intangibility The most important characteristic of services is intangibility. Before and after buying a physical product like, for example, soap or talcum powder, the customer can see, feel, smell and use it to check its effectiveness and quality. Cars and motorcycles are purchased by customers after test-driving. These are all tangible, physical products. Services, on the other hand, are intangibles, which cannot be seen, tasted, felt, heard or smelt before the purchase is made. For example, before actually staying in a hotel room, a customer cannot know the quality of service. Before travelling in a bus or an airline, we cannot understand its quality and reliability. We cannot make a trial trip on the bus or airline before buying the ticket. Customers have to buy the service and use it to experience the quality. This is due to the intangible nature of services. There are some services like a doctor's diagnosis or surgery, where the patient will not be able to understand the quality of service performed even after it is completed. This special characteristic – intangibility – has some marketing implications. First, services cannot be stored or stocked as inventory for future use or sale. This creates problems of matching demand and capacity for the marketer.

For example, there will be heavy demand for hotel accommodation in Goa during the winter months, but little demand during the rainy season. But the hotels have to maintain the same number of rooms to sell throughout the year, whether in rain or shine. To overcome this problem, most hotels give off-season discounts during the lean period to attract customers. Secondly, because of the intangibility property, services cannot be easily patented, and innovative service concepts can, therefore, easily be copied by competitors. Thirdly, customers may not be able to understand or assess service quality because services cannot be readily displayed or easily communicated to customers like tangible products. Lastly, pricing an intangible service is difficult as the actual costs of a unit of service are hard to determine, and the price-quality relationship is complex.

2. Heterogeneity (Variability) Services are always heterogeneous. There can be variations in the service provided. It is very difficult for any service provider to standardize a service. The quality of service depends on who provides them as well as when, where and how they are provided. Quality variation can occur due to other factors like the customers not co-operating or not playing their intended role in service production and presence of other customers who are troublesome or quarrelsome. **For example**, Taj Group Hotels have a good reputation as providers of high quality standard service, as Five Star Deluxe hotels. But the same group may have efficient or not-so-efficient employees in the same premises, and their services will vary. Since the human element is very much involved in providing and receiving services, variations are normal and standardization is very difficult to achieve. Even the same doctor who gave his complete attention during a patient's last visit may behave a little differently the next time. One major marketing implication of the heterogeneous character of services is the difficulty to ensure consistent quality across time, organizations and people. Quality actually depends on many factors that cannot be fully controlled by the service provider, like the ability of the consumer to clearly state his or her needs, the ability and willingness of service employees to satisfy those needs in the presence (or absence) of other customers, and the level of demand for the service. Due to these factors which complicate the issue, the service marketer cannot always know for sure that the service is being delivered in a manner consistent with what was originally planned and promoted. The potential heterogeneity is again increased when services are provided by a third party like a licensee or franchisee.

3. Simultaneous Production and Consumption Tangible products like soaps, motorcycles, or cars can be produced first, stored and later sold to customers. But, since services are processes consisting of a series of activities where the customer and service employee have to interact, they are produced and consumed simultaneously. While most physical products are produced first, then sold and consumed, most services are sold first and then produced and consumed at the same time. For example, a Hyundai Santro car can be produced in Chennai today, transported to Delhi, sold two months later and consumed over a period of fifteen to twenty years' time. But the service in a restaurant like Memories of China cannot be provided until they have been sold, and the dining experience is essentially produced and consumed simultaneously. This characteristic also implies that in most cases the customer will be present while the service is being produced and may even take part in the production process. Situations may vary, depending on what kind of service is being considered. A hair dresser's service is obviously almost totally produced when the customer is present and receives the service. The characteristic of simultaneity also implies that the customers will frequently interact with each other during the service production process and then may affect each other's experiences (like strangers seated next to each other in a bus). Simultaneous production and consumption leads to another implication known as inseparability in services. This means that it is not possible to separate the service from the service provider. The provider's presence is essential for service production. For example, a plumber or an electrician has to be present to do a repair job. The doctor has to be in the clinic to treat the patients. However, in some services like banking, ticket booking, etc., self-service

technology and use of the Internet have eliminated the need for the physical presence of service provider to a large extent. One marketing implication of simultaneous production and consumption is that mass production like physical products is not at all possible. Quality control and marketing must take place at the time and place of simultaneous production and consumption. If the service company relies on traditional quality control and marketing approaches, the part of the service process where the customer is involved may go uncontrolled and include negative marketing experiences for the customer. The quality of service and customer satisfaction will be highly dependent on what happens in the process of production and consumption of the service, including actions of service employees and the interactions between employees and customers. This characteristic provides scope for service marketers to customize offerings for individual consumers. Simultaneous production and consumption also has the implication of the company's inability to gain significant economies of scale through mass production and centralization. Operations may have to be relatively decentralized in services so that the service can be delivered directly to the consumer in convenient locations (IT and the Internet usage are changing this requirement). Yet another marketing implication of this character is that the customer is involved in, and observes the production process and often participates in it and thus may affect the outcome of the service transaction positively or negatively.

4. Perishability Most of the services cannot be stored for future sale and hence, are perishable (i.e., become useless or waste or are lost forever). If the services of a doctor are not used by needy customers, they cannot be stored up for future use. **For example**, if there is a hartal or bund on a particular day, and no patients are able to visit a doctor, that day's practice or service of the doctor goes waste or perishes. He cannot resell the previous day's service the next day. In the case of hotels, there are lean periods and heavy demand periods. The hotels have to maintain all the rooms all through the year. But room booking will be minimum in the lean period. Since the occupancy lost thus cannot be resold in heavy demand period, it goes waste or perishes. That is why hotels give discounts in off-season to bring in more customers, or hire more staff when the peak season starts. Perishability also implies that in contrast to physical products, services cannot be returned if the customer is unhappy, For example, a bad haircut cannot be returned or exchanged for a better one.

5. Ownership Usually there is no transfer of ownership of anything in a service. There is no transfer of any tangible object as in product marketing (like buying a pen or a car, where ownership transfer from seller to buyer takes place). What is purchased by customers in services is just the use of, or access to the facility or service. The buyer does not become the owner of anything like in the case of buying a pen, a car, a TV, etc. in product marketing. When we use the services of Jet Airways to travel from Bangalore to Delhi, we are entitled to be transported by air from Bangalore to Delhi, but when we arrive at Delhi, there is nothing left with us but the remaining part of the boarding pass and the ticket. We cannot argue that we own the seat on the plane for which we paid the fare. When we withdraw money from our savings bank account, we

may feel that the bank's services resulted in our ownership of the withdrawn money. However, the bank's service did not create this ownership. We owned the money all the time. The bank just took care of it for us for some time and gave it to us when we asked for. For successful services marketing, the marketing managers must understand the nature of the above five characteristics of services and the manner in which they affect the marketing strategy.

Paradigm in Service Marketing



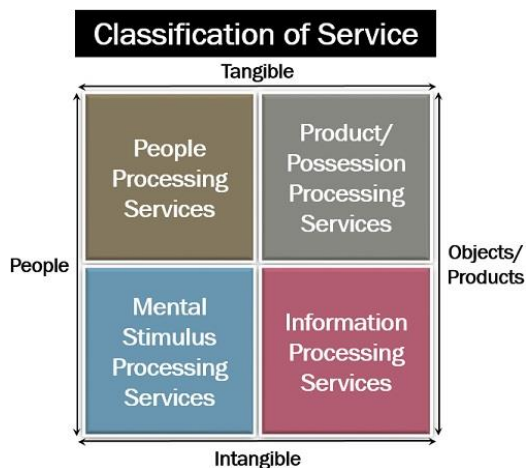
the present marketing scenario is a lot more different from what it used to be earlier. The belief, mindset, perception and attitude of the consumers have changed tremendously.

Discussed below are the new set of paradigm for modern marketing in terms of services:

1. Service Categories

Service industry seems to be more complicated than the manufacturing industry. The services can be either tangible or intangible; people-oriented or product oriented.

These are further classified into the following four major categories based on their applicability:



- **People Processing Services:** People processing here refers to the physical presence of the customer at the service system or location, to avail the service. *For example*, a person needs to be physically present at the 'salon' to get a hair cut.
- **Product/Possession Processing Services:** Such services are related to a specific product or its possession with limited or no involvement of the customer. For instance, the services offered by 'packers and movers' are primarily concerned with the safe shifting of customer's belongings, i.e., furniture and assets from one place to another.
- **Mental Stimulus Processing Services:** The services which influence the consumer's mental abilities, religious beliefs, behaviour, perception, lifestyle and attitude are termed as mental stimulus processing services. Like, educational institutes deliver knowledge which develops the mental ability of a person.
- **Information Processing Services:** These are a unique form of intangible products where the information acts as a product, or information technology is used. Such decisions are considered to be critical due to massive investment and a high level of risk; therefore, absolute customer involvement can be seen over here.

2.Customer Oriented

In the service industry, customization of the product offering becomes essential as compared to that of the manufacturing industry. The customer's needs, perception and requirements are given significance while carrying out the business operations in as a service provider.

3.Single Take

Service is a one-take action, i.e., it cannot be restored, redone, replaced or exchanged. It is intangible and irreversible; thus, it needs to be perfect and well-delivered at the first time itself.

An organization, therefore, requires trained and experienced personnel to provide services because a lousy consumer experience may lead to negative publicity, which affects the brand name and equity.

4.Service as a Process

In the service industry, the process plays an important role. The process here refers to the steps involved in availing the service by the consumer.

An organization must keep a watch over each of these steps. It must ensure humbleness, honesty and sincerity of the personnel involved in the interaction with the consumers, while the execution of each of these steps.

5.Speed and Accuracy

The consumers prefer prompt services without any interruption. Therefore, the rate with which the service is provided is considered as a parameter for efficient service. It is also responsible for the selection of one service provider over the other, by the consumers.

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