

SERVICE SECTOR

MODULE _ I CHAPTER - 1

Comparing Goods and Services

TABLE 1.2 Comparing Goods and Services

Source: A. Parasuraman, V. A. Zeithaml, and L. L. Berry, "A Conceptual Model of Service Quality and Its Implications for Future Research." *Journal of Marketing* 49 (Fall 1985) pp. 41–50. Reprinted by permission of the American Marketing Association.

Goods	Services	Resulting Implications
Tangible	Intangible	Services cannot be inventoried. Services cannot be easily patented. Services cannot be readily displayed or communicated. Pricing is difficult.
Standardized	Heterogeneous	Service delivery and customer satisfaction depend on employee and customer actions. Service quality depends on many uncontrollable factors. There is no sure knowledge that the service delivered matches what was planned and promoted.
Production separate from consumption	Simultaneous production and consumption	Customers participate in and affect the transaction. Customers affect each other. Employees affect the service outcome. Decentralization may be essential. Mass production is difficult.
Nonperishable	Perishable	It is difficult to synchronize supply and demand with services. Services cannot be returned or resold.

SERVICES

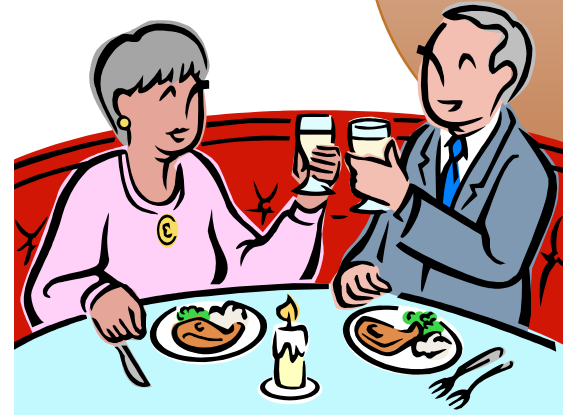
“Service is an act or performance offered by one party to another that is essentially intangible and does not result in the ownership of anything.”

Characteristics of Services



Intangibility

Inseparability



Perishability

Heterogeneity

Characteristics/Features

1. Intangibility :

Cannot be seen, tasted, felt, heard or smelt before they are bought.

Demonstration of services is difficult

Pre-purchase evaluation is not possible

TECHNIQUES-

Develop trust and confidence of customers

Decor -interior & exterior should give a pleasant appearance

2. Inseparability :

- ▶ Services produced and consumed simultaneously.
- ▶ Cannot be separated from providers, whether people or machines.
- ▶ Customers are always involved

Problems - Restricts geographical reach

Techniques - *use of automation such as ATM's*
Outsourcing of certain services

3. Heterogeneity :

Service performance may differ from one service provider to the other.

4. Inventory less or Perishability :

Services are highly perishable. They cannot be stored for future sale. For e.g. spare seats of flight of an airline cannot be utilised during the next flight.

Problems - mass production not possible

5. Cannot be returned to seller once used :

defective product can be returned but a defective hairstyle cannot be returned back to the service provider.

6. Cannot be produced in anticipation of demand

7. Channel of distribution :

Direct channel

8. Non transfer of ownership :

when you book a hotel room, you don't become the owner of the hotel room.

Scope of SERVICES

- ▶ ***Retail Trade***
- ▶ ***Hotels and Restaurants***
- ▶ ***Railways***
- ▶ ***Other Transport & Storage***
- ▶ ***Communication (Post, Telecom)***
- ▶ ***Banking***
- ▶ ***Insurance***
- ▶ ***Dwellings, Real Estate***
- ▶ ***Business Services***

- ▶ ***Public Administration; Defence***
- ▶ ***Personal Services***
- ▶ ***Community Services***
- ▶ ***Management consultancy***
- ▶ ***Courier services***
- ▶ ***Catering services***
- ▶ ***Entertainment services***
- ▶ ***Educational services***
- ▶ ***Hotel services***
- ▶ ***Health care***

Scope of services

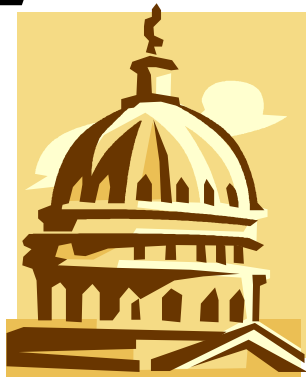
- ▶ Insurance; financial affairs; monetary affairs; real estate affairs
- ▶ Building construction; repair; installation services
- ▶ Telecommunications
- ▶ Transport; packaging and storage of goods; travel arrangement
- ▶ Treatment of materials
- ▶ Education; providing of training; entertainment; sporting and cultural activities
- ▶ Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software
- ▶ Services for providing food and drink; temporary accommodation
- ▶ Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services
- ▶ Legal services; security services for the protection of property and individuals; **personal and social services rendered by others to meet the needs of individuals**
- ▶ Advertising; business management; business administration; office functions

Scope of Services



For Profit

Not For
Profit



NonProfit

Marketing Mix for services



The Marketing Mix

- ▶ These are the tools of marketing management employed by marketers. They are areas where marketing managers need to make decisions. These decisions affect the nature of the offering or package of benefits that the organisation offers to customers.
- ▶ ***The tools are commonly known as the 4P's or 7P's.***



The Marketing Mix

The term “mix” is used to explain the point that at any one time the marketer will **select** a set of tools from the marketing toolbox or the *marketing mix* in specific proportions to solve specific problems - in the same way one selects spanners and other tools for a specific job OR ingredients to bake a particular type of cake.



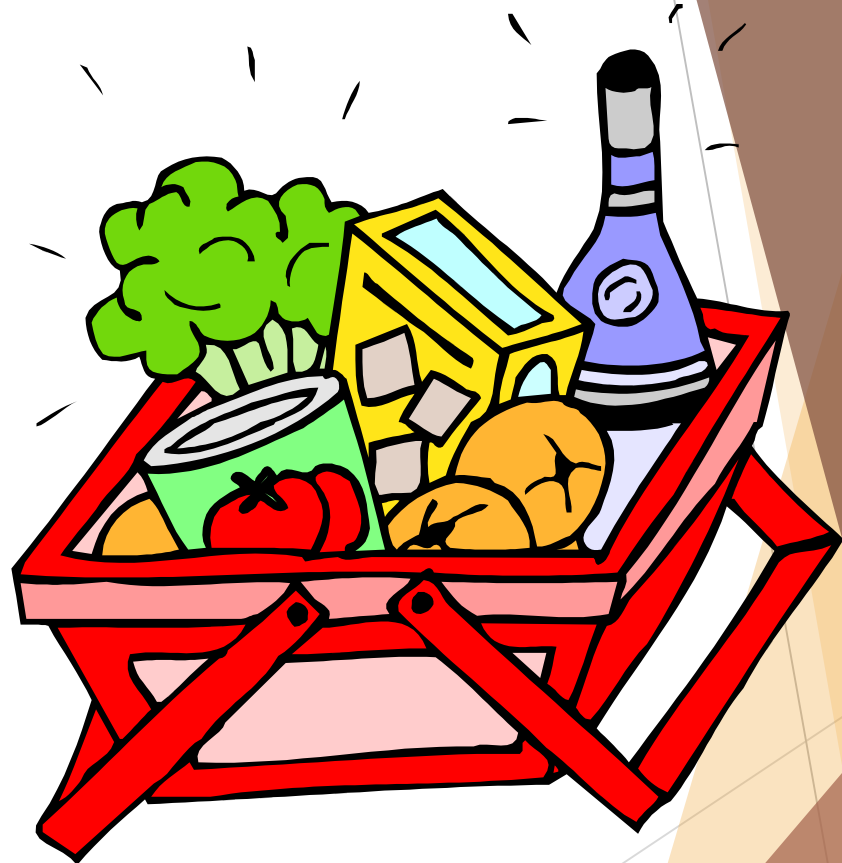
7 P'S of Service Marketing Mix...



- ▶ The service marketing mix is a combination of the different elements of services marketing that companies use to communicate their organizational and brand message to customers.
- ▶ The mix consists of the seven P's i.e. Product, Pricing, Place, Promotion, People, Process and Physical Evidence.
- ▶ The service marketing mix, also known as the extended marketing mix, treats the service that the business offers just as it would treat a product.
- ▶ While the first four P's are involved in product marketing too, the remaining three P's focus mainly on service delivery and enhancing customer satisfaction.

Product

- ▶ Quality
- ▶ Features
- ▶ Options
- ▶ Style
- ▶ Brand name
- ▶ Packaging
- ▶ Sizes
- ▶ Services
- ▶ Warranties
- ▶ Returns

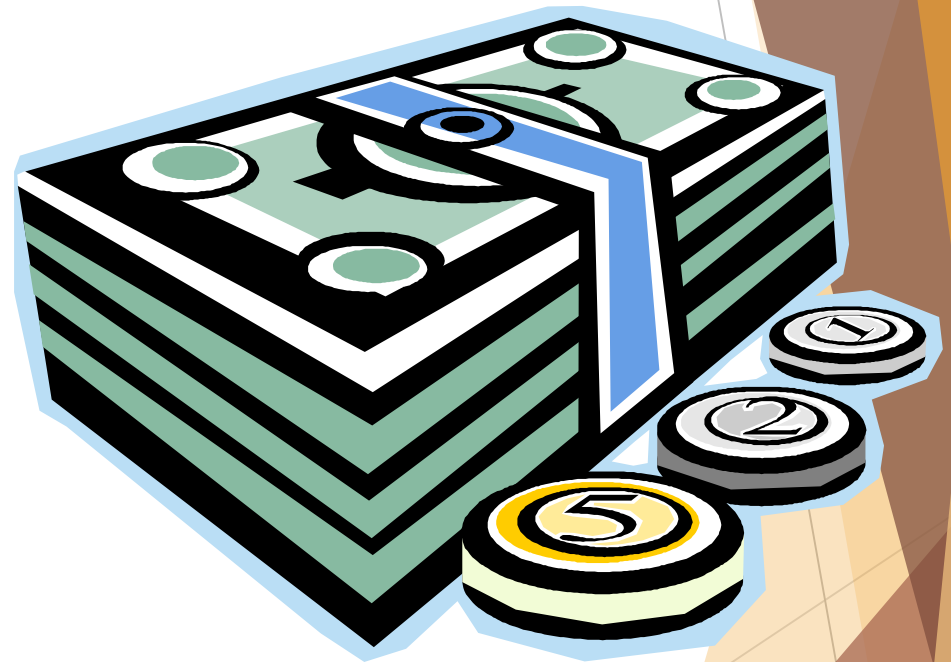


- ▶ A product is something which satisfies the needs and wants of the customer. It is the actual item which is held for sale in the market. Product mix constitutes the combination of all the services for sale in the market.
- ▶ For example, the product mix of a saloon will be the combination haircut service, manicure and pedicure service, facial, shaving etc.
- ▶ The life cycle of services is same as that of a product as it starts from the day it was first thought until the time it is finally removed from the market.

Price

The value that is put on the exchange process

- ▶ List price
- ▶ Discount
- ▶ Allowances
- ▶ Payment period
- ▶ Credit terms



- ▶ Price is the amount which the customer pays for the product. But unlike goods pricing, pricing of services are a bit different and a bit difficult. Price of a service include the actual costs of goods used (if any), process costs (labour costs + overheads) and profits.
- ▶ Just like goods, businesses can decide from one of these practices for pricing
 - ▶ Penetration Pricing (low price kept to capture market share)
 - ▶ Skimming Pricing (high price initially then lowering of price)
 - ▶ Competition Pricing (pricing at par of competition)
- ▶ Pricing decides the position of the product among the competition.

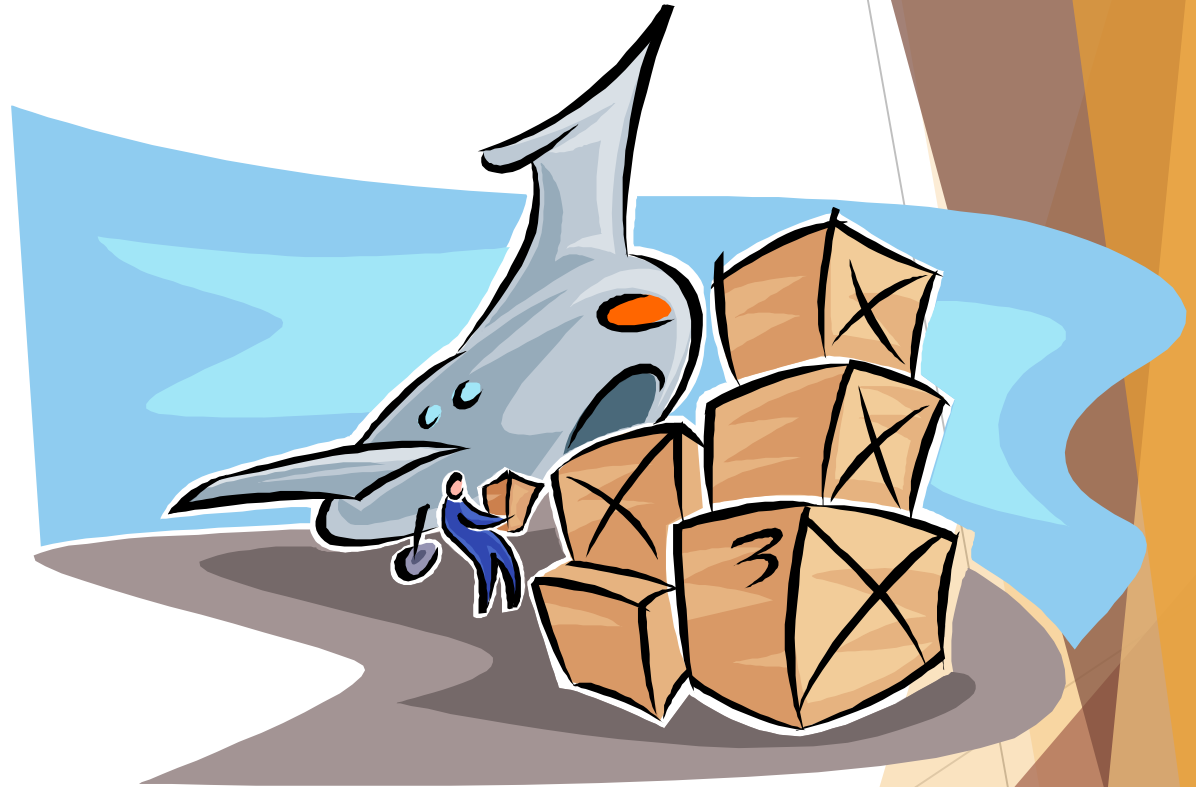
Promotion (Communication)

- ▶ A business has to convey about its offering and its USP to the customer. It is what keeps it alive in this competitive environment. The promotion mix decides the marketing communication techniques, strategies, and mediums used. The medium includes:
- ▶ Advertising
- ▶ Branding
- ▶ Personal Selling
- ▶ Sales Promotion
- ▶ Public Relations
- ▶ Direct Marketing, and
- ▶ Social Media Outreach



Place (Distribution)

- ▶ Channels
- ▶ Coverage
- ▶ Locations
- ▶ Inventory
- ▶ Transport



- ▶ Place mix is deciding where and how the services will be available to the customers at the right time and at the right place to result in maximum advantage to the business.
- ▶ Unlike goods, services cannot be separated from its provider and are provided where its provider is. But the same services can be performed by different providers (E.g. different franchise of the same saloon provide same services).

People

- ▶ The attitudes of staff
- ▶ Training of staff
- ▶ Internal relations
- ▶ The observable behaviour of staff
- ▶ The level of service-mindedness in the organisation
- ▶ The consistency of appearance of staff
- ▶ The accessibility of people
- ▶ Customer-customer contacts



- ▶ Services are inseparable from the provider. These providers form the people of the service marketing mix. For example, the chef in the restaurant, a banker in the bank, an air hostess in the flight, etc.
- ▶ Companies spend much time in selecting and training their staff and every other person who represents the company to the customer.

Process

The manner in which the service is delivered

- ▶ Degree of customer contact
- ▶ Quality control standards
- ▶ Quality assurance
- ▶ Payment methods (degree of convenience)
- ▶ Queuing systems for customers
- ▶ Waiting times

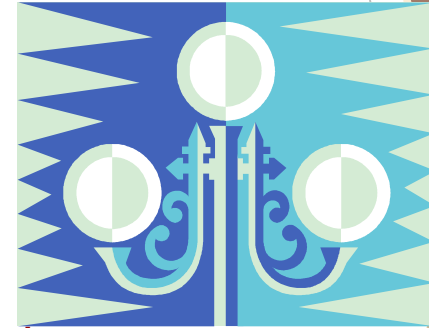


- ▶ The actual mechanism involved in delivering a service is the process. It's the route of the actual product from the provider to the user. For example, a bank has a definite process for its every operation (to deposit a cheque, to withdraw money, to change your address, etc.).
- ▶ Since services are diverse, processes involved in carrying out those services are also diverse. Process can be involved in planning and/or in the execution. But it is always involved in carrying out a service.

Physical Evidence - ambience

The “environment” or atmosphere in which the service is delivered

- ▶ Buildings
- ▶ Furnishings/décor
- ▶ Layout
- ▶ Goods associated with the service e.g. carrier bags, tickets, brochures
- ▶ All the above can help shape customers’ perceptions of the service



- ▶ Services are intangible. But they are often provided along with many tangible elements.
- ▶ Physical evidence includes the environment/place where the service is provided and any tangible elements that facilitate the performance or communication of the service.
- ▶ It's the tangible part which is more or less complementary to the service.
- ▶ For example, a physical evidence mix of a premium saloon will include the staff's uniform, a good ambience created by playing nice music and spraying good room freshener, etc

► Marketing Mix of McDonalds



Marketing Mix of McDonalds

- ▶ **Product** :- McDonald's places considerable emphasis on developing a menu which customers want. Market research establishes exactly what this is.
- ▶ However, customers' requirements change over time. In order to meet these changes, McDonald's has introduced new products and phased out old ones, and will continue to do so.
- ▶ In India McDonalds has a diversified product range focussing more on the vegetarian products as most consumers in India are primarily vegetarian. The happy meal for the children is a great seller among others.

- ▶ **Price :-** The customer's perception of value is an important determinant of the price charged. Customers draw their own mental picture of what a product is worth. A product is more than a physical item, it also has psychological connotations for the customer.
- ▶ The danger of using low price as a marketing tool is that the customer may feel that quality is being compromised. It is important when deciding on price to be fully aware of the brand and its integrity.
- ▶ In India McDonalds classifies its products into 2 categories namely the branded affordability (BA) and branded core value products (BCV). The BCV products mainly include the McVeggie and McChicken burgers that cost Rs 50-60 and the BA products include McAloo tikki and Chicken McGrill burgers which cost Rs20-30. This has been done to satisfy consumers with different price perceptions.

- ▶ **Promotion :-** The promotions aspect of the marketing mix covers all types of marketing communications. One of the methods employed is advertising, Advertising is conducted on TV, radio, in cinema, online, using poster sites and in the press for example in newspapers and magazines.
- ▶ Other promotional methods include sales promotions, point of sale display, merchandising, direct mail, loyalty schemes, door drops, etc.
- ▶ The skill in marketing communications is to develop a campaign which uses several of these methods in a way that provides the most effective results. For example, TV advertising makes people aware of a food item and press advertising provides more detail.
- ▶ This may be supported by in-store promotions to get people to try the product and a collectable promotional device to encourage them to keep on buying the item.

- ▶ At McDonalds the prime focus is on targeting children. In happy meals too which are targeted at children small toys are given along with the meal. Apart from this, various schemes for winning prizes by way of lucky draws and also scratch cards are given when an order is placed on the various menu combos.

- ▶ **Place :-** Place, as an element of the marketing mix, is not just about the physical location or distribution points for products. It encompasses the management of a range of processes involved in bringing products to the end consumer.
- ▶ McDonald's outlets are very evenly spread throughout the cities making them very accessible. Drive in and drive through options make McDonald's products further convenient to the consumers.

- ▶ **Process** :-The food manufacturing process at Mc Donalds is completely transparent i.e. the whole process is visible to the customers.
- ▶ In fact, the fast food joint allows its customers to view and judge the hygienic standards at Mc Donalds by allowing them to enter the area where the process takes place.
- ▶ The customers are invited to check the ingredients used in food.

- ▶ **People** :-The employees in Mc Donalds have a standard uniform and Mc Donalds specially focuses on friendly and prompt service to its customers from their employees.
- ▶ **Physical evidence** :- McDonalds focuses on clean and hygienic interiors of its outlets and at the same time the interiors are attractive and the fast food joint maintains a proper decorum at its joints.

The Service Marketing Mix

Product

Design
Quality
Technology
Branding
Services
Availability

Price

Strategy
List Price
Discounts
Allowances
Payment period
Credit terms
Payment methods

Place

Trade Channels
Coverage
Assortments
Locations
Transportation
Logistics
E-Commerce

Promotion

Advertising
Personal selling
Sales promotion
Public relations
Direct marketing
Corporate Identity
Form of promotion

People

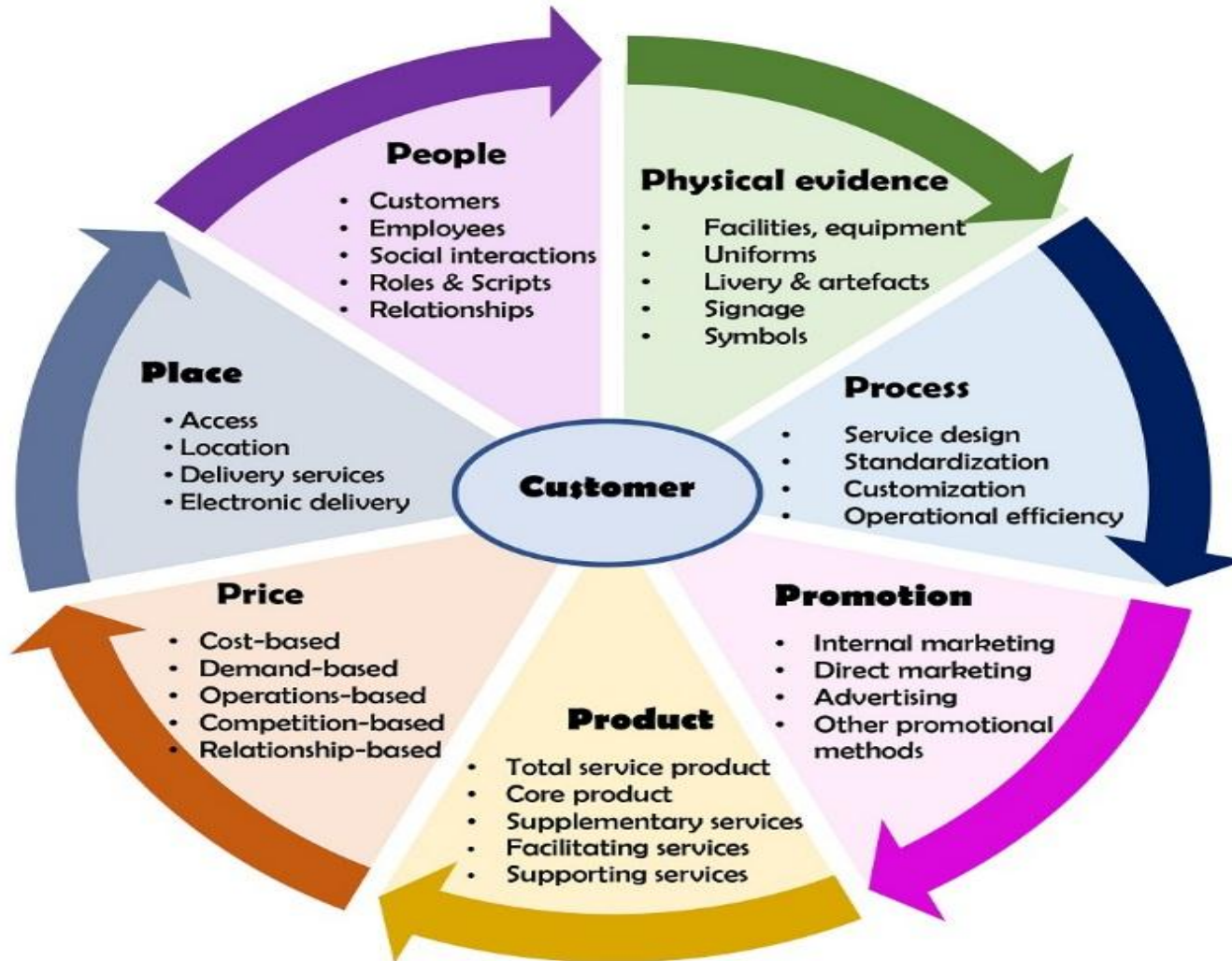
Business Culture
Recruitment
Training
Assessment
Involvement
Control
Support

Process

Organizational
Core Service
Support

Physical evidence

Exterior/
Interior
Design
Cleanliness
Style
Decoration
Acoustic
Smell
Employee
Appearance



Mrs. Gracy Dsouza, Assistant Professor J. M. Patel College of Commerce

The 7 Ps of Services Marketing

Examples of Service Industries

- ▶ Health Care
 - ▶ hospital, medical practice, dentistry, eye care
- ▶ Professional Services
 - ▶ accounting, legal, architectural
- ▶ Financial Services
 - ▶ banking, investment advising, insurance
- ▶ Hospitality
 - ▶ restaurant, hotel/motel, bed & breakfast
 - ▶ ski resort, rafting
- ▶ Travel
 - ▶ airline, travel agency, theme park
- ▶ Others
 - ▶ hair styling, pest control, plumbing, lawn maintenance, counseling services, health club, interior design

Service Can Mean all of These

- ▶ Service as a product
- ▶ Customer service
- ▶ Services as value add for goods
- ▶ Service embedded in a tangible product

