

## **SERVICES MARKETING**

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The service sector has increased dramatically in importance over the last decade, where it now accounts for nearly two-thirds of the economy by income and jobs. Deregulation of services, growing competition, fluctuations in demand, and the application of new technologies are presenting a considerable challenge to service organizations. Services marketing concepts and strategies have developed in response to the tremendous growth of service industries. Due to their increased importance, the world economies have drawn increasing attention to the issues and problems of service sector industries.

### **❖ DEFINITION :**

The American Marketing Association defines services as activities, benefits or satisfactions which are offered for sale and are provided with the sale of goods. This definition is considered to be too broad as products also offer benefits and satisfactions to customers. So there were attempts to differentiate physical products from services by defining characteristics which are present in services but are not found in case of physical products.

Kotler defines a service as "any act or performance 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." Abraham Payne defines it as "an activity which has some intangibility associated with it, which involves some interaction with customers or with property with it, which involves some interaction with customers or with property in their possession, and does not result in a transfer of ownership. A change in condition may occur and production of the service may or may not be closely associated with a physical product."

A more mundane definition in the Indian context is provided by section 2(r) of the Monopolies and Restrictive Trade Practices Act, 1969. Under the said statute a "service means service which is made available to potential users and includes the provision of facilities in connection with banking, financing, insurance, chit fund, real estate, transport, processing, supply of

electrical or other energy, board or lodging or both, entertainment, amusement or the purveying of news or other information".

Stanton defines services and identifies factors which distinguish products from services which are accepted by most of the commentators. According to Stanton, "services are those separately identifiable, essentially activities that provide to want-satisfaction, and that are not necessarily ties to the sale of a product or another service. To produce a service may or may not require the use of tangible good. However, when such use is required, there is no transfer of the title (Permanent ownership) to these tangible goods". Stanton emphasizes four characteristics which distinguish services from product. They are, intangibility, inseparability, heterogeneity and perishability and fluctuating demand. Kotler also emphasizes intangibility, inseparability, variability and perishability.

A service is an activity which has some elements of intangibility associated with it, which involves some interaction with customers or with property in their possession, and does not result in a transfer of ownership. A change in condition may occur and production of the service may or may not be closely associated with a physical product.

Put in the simple terms, 'services are deeds, processes and performances'. The core offerings of hospitals, hotels, banks and utilities comprise primary deeds and actions performed for customers. Services are produced not only by service business such as those just described but are also integral to the offerings of many manufactured goods procedures. For example, car manufacturers offer warranties and repair services for their cars; Computer manufacturers offer warranties, maintenance contracts and training. All of these services are examples of deeds, processes and performances.

## ❖ **CHARACTERISTICS OF SERVICES**

Stanton points out that the special nature of services stems from several distinctive characteristics and he singles out four for particular comment. They are:

1. Intangibility,
2. Inseparability,
3. Heterogeneity (Kotler terms this as variability), and
4. Perishability and fluctuating demand.

These four have been identified by Kotler also as the major characteristics greatly affecting the design of marketing programmes for services.

### **Intangibility**

Services are essentially intangible. Because services are performances or actions rather than objects, they cannot be seen, felt, tested, or touched in the same manner that we can sense tangible goods. For example, health-care services are actions (e.g. surgery, diagnosis, examination, treatment) performed by providers and directed toward patients and their families. These services cannot actually be seen or touched by the patient, although the patient may be able to see and touch certain tangible components of the service (e.g. equipment, hospital room). In fact, many services such as health care are difficult for the consumer to grasp even mentally. Even after a diagnosis or surgery has been completed the patient may not fully comprehend the service performed.

### **Marketing implications**

Intangibility presents several marketing challenges: Services cannot be inventoried, and therefore fluctuations in demand are often difficult to manage. For example, there is tremendous demand for resort accommodations in Simla / Ooty in May, but little demand in December. Yet resort owners have the same number of rooms to sell year-round. Services cannot be patented legally, and new service concepts can therefore easily be copied by competitors. Services cannot be readily displayed or easily communicated to customers, so quality may be difficult for consumers to assess. Decisions about what to include in advertising and other promotional materials are challenges, as is pricing. The actual cost of a "unit of service" are hard to determine and the price/ quality relationship is complex.

### **Inseparability**

Services are created and consumed simultaneously and generally they cannot be separated from the provider of the service. Thus the service provider — customer interaction is a special feature of services marketing.

Unlike the tangible goods, services cannot be distributed using conventional channels. Inseparability makes direct sales as the only possible channel of distribution and this delimits the

markets for the seller's services. This characteristic also limits that scale of operation of the service provider. For example, a doctor can give treatment to limited number of patients only in a day.

This characteristic also emphasizes the importance of the quality of provider —client interaction in services. This poses another management challenge to the service markets. While a consumer's satisfaction depends on the functional aspects in the purchase of goods, in the case of services the above mentioned interaction plays an important role in determining the quality of services and customer satisfaction. For example, an airline company may provide excellent flight service, but a discourteous onboard staff may keep off the customer permanently from that company. There are exemptions also to the inseparability characteristic. A television coverage, travel agency or stock broker may represent and help marketing the service provided by another service firm.

#### ❖ **MARKETING IMPLICATIONS :**

Because 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 what happens in "real time", including actions of employees and the interactions between employees and customers.

##### **a. Heterogeneity :**

This characteristic is referred to as variability by Kotler. We have already seen that services cannot be standardized. They are highly variable depending upon the provider and the time and place where they are provided. A service provided on a particular occasion is somewhat different from the same service provided on other occasions. Also the standard of quality perceived by different consumers may differ according to the order of preference given by them to the various attribute of service quality. For example, the treatments given by hospital to different persons on different occasion cannot be of the same quality. Consumers of services are aware of this variability and by their interaction with other consumers they also get influenced or influence others in the selection of service provider.

**b. Marketing implications :**

Because services are heterogeneous across time, organizations, and people, ensuring consistent service quality is challenging. 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 of the service.

**c. Perish ability and Fluctuating Demand :**

Perish ability refers to the fact that services cannot be saved, stored, resold or returned, A seat on an airplane or in a restaurant, an hour of a lawyer's time, or telephone line capacity not used cannot be reclaimed and used or resold at a later time. This is in contrast to goods that can be stored in inventory or resold another day, or even returned if the consumer is unhappy.

**d. Marketing implications :**

A primary issue that marketers face in relation to service perish ability is the inability to inventory. Demand forecasting and creative planning for capacity utilization 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. For example, while a bad haircut cannot be returned, the hairdresser can and should have strategies for recovering the customer's good will if and when such a problem occurs.

**❖ SERVICES MARKETING MANAGEMENT :**

There are a number of areas of marketing management which do have special significance for services marketing. It is worth commenting on some of those aspects, as they are important to developing an awareness of problem and key issues in services marketing.

**a. Productivity and quality :**

In striving to gain and maintain competitive advantage, both productivity and quality are of key importance. However, the nature of services implies that it is difficult to avoid a trade-off situation, when improvements in service productivity can lead to sacrifices in the level of quality. This is most sensitive in services marketing where people are the service delivers. If a bank cashier

or travel agent needs to process customers more quickly to improve productivity, how can organisations ensure that there is not resulting drop in quality?

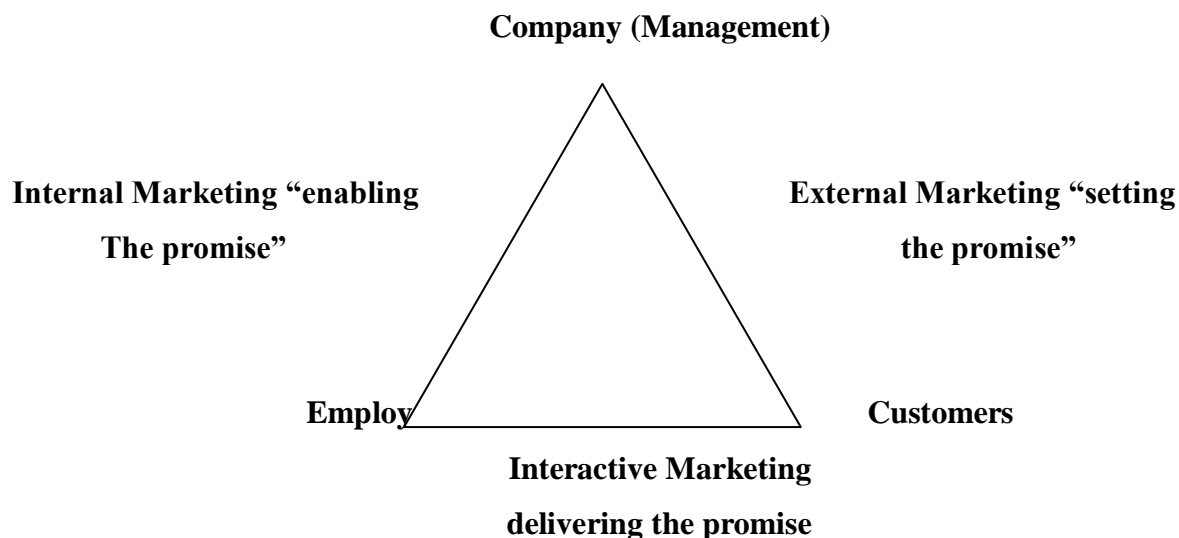
**Service quality is measured on two levels:**

- Technical quality — the overall efficiency with which a bank handles its customer accounts in terms of prompt statements, rates of interest offered and so on.
- Functional quality — the way the service is actually delivered; this includes personal courtesy, the service environment in terms of comfort and decor, the customer's own role.

The importance which is attached to functional and technical quality depends on the type of service, and the benefit sought by the consumer.

**Service Marketing Triangle :**

A useful way to conceptualize the questions the decisions that need to be made is presented in the services marketing triangle shown in Figure 1. The triangle suggests that there are three types of marketing that must be successfully carried out for a service organization to succeed, and that all of them revolve around making and keeping promises to customers.



On the right side of the triangle are the external marketing efforts that the firm engages in to set up its customers' expectations and make promises to customers regarding what is to be delivered.

Anything that communicates to the customer before service delivery can be viewed as part of this external marketing function. In service firms there are many factors that communicate to customers beyond traditional elements of advertising, special promotions, sales, and public relations, for example, the firm's personnel and the physical facilities themselves.

On the bottom of the triangle is what has been termed interactive marketing, or what some refer to as real-time marketing. Here the actual service delivery takes place-the firm's employees interact directly with customers. It is at this point that the promise is delivered (or not delivered). Having a positive link between what is promised through the external marketing in the world is useless if promise cannot be kept.

The left side of the triangle suggests the critical role played by internal marketing, which enables employees to keep the promises that have been made to customers. Internal marketing refers to the activities the firm must carry out to train, motivate, and reward its employees. Unless service employees are able and willing to deliver on the promises made, the firm will not be successful in keeping its promises and the services marketing triangle will collapse. Internal marketing hinges on the assumption that employee satisfaction and customer satisfaction are inextricably linked.

What the triangle implies is that all three sides are critical to successful services marketing and management, that without one of the sides in place the triangle, or the total marketing effort, cannot be supported. Each side represents significant challenges for most service business, and as we proceed through the text we will find approaches and strategies for dealing with all three.

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