

Services Marketing: Integrating People, Technology, Strategy

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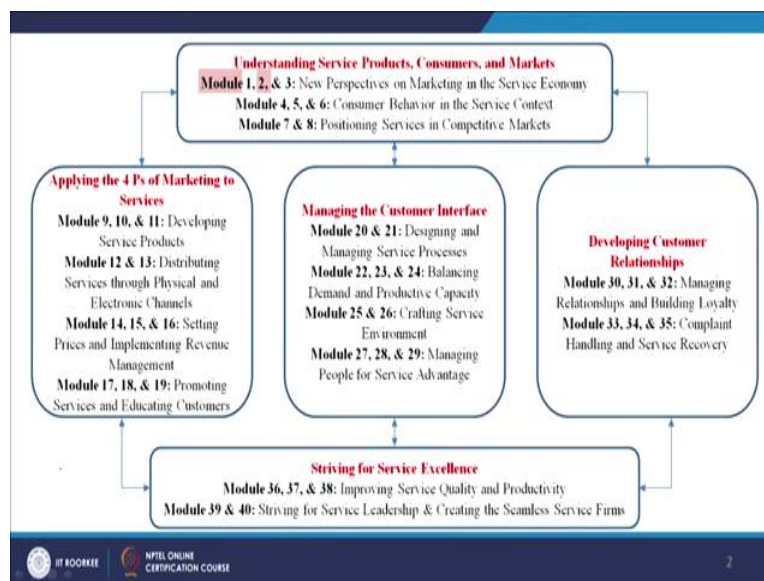
Indian Institute of Technology, Roorkee

Lecture 02

New Perspective on Marketing in the Service Economy Part 2

Welcome to this course on services marketing. I am Zillur Rahman professor in the Department of Management Studies at IIT Roorkee and now, we will start with module two, as you have seen in module one, the first three module that is Module one , two and 3 are a new perspective on marketing in the service economy, we have talked about module one .

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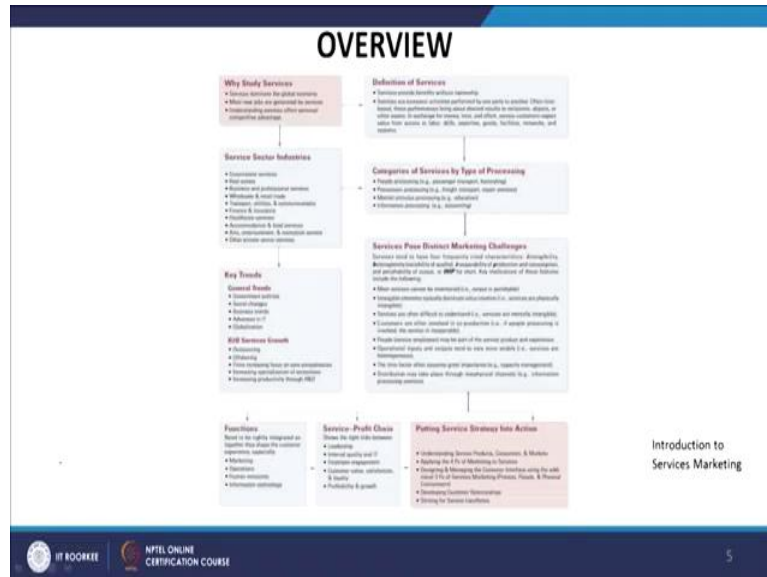
MODULE OVERVIEW

1. Be familiar with the characteristics of services and the distinctive marketing challenges they pose.
2. Understand the components of the traditional marketing mix applied to services.

Now, we will continue with the same discussion in module two and, we will be talking about how to be familiar with characteristics of services and the distinctive marketing challenge

they pose. So, there are some characteristics of services and because of those characteristics, there are some distinctive challenges for marketing that these characteristics poses and then, we will understand the components of the traditional marketing mix and how they are applied to services.

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This is the overview that we had started talking about in the first module. So, we have talked about why study services and we have talked about why study services then we have also talked about the various service industries. Then we have also talked about the key trends in the global economy and also the domestic economy.

Now, let us continue with the second module and in this module now, let us now, we are talking about the definition of services and then we will move on to the categories of services by type and so on, so forth. So, now let us start understanding the definition of services and how it has evolved over a period of time.

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WHAT ARE SERVICES?

- **The historical view**
 - Smith (1776): Services are different from goods because they are **perishable**.
 - Say (1803): As services are **immaterial**, consumption **cannot be separated** from production.

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So, the historical view that has started with Smith in 1776 was that services are different from goods, because they are perishable. Then we moved on to that and then we move on to 1803, Say said that services are immaterial and consumption cannot be separated from production.

So, now, you see that we started that we first started that services are different from goods because they are perishable, while goods are not perishable and then we moved on, Say said in 1803 that services are immaterial and the consumption cannot be separated from production. It means that consumption and production has to be done at the same time.

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WHAT ARE SERVICES?

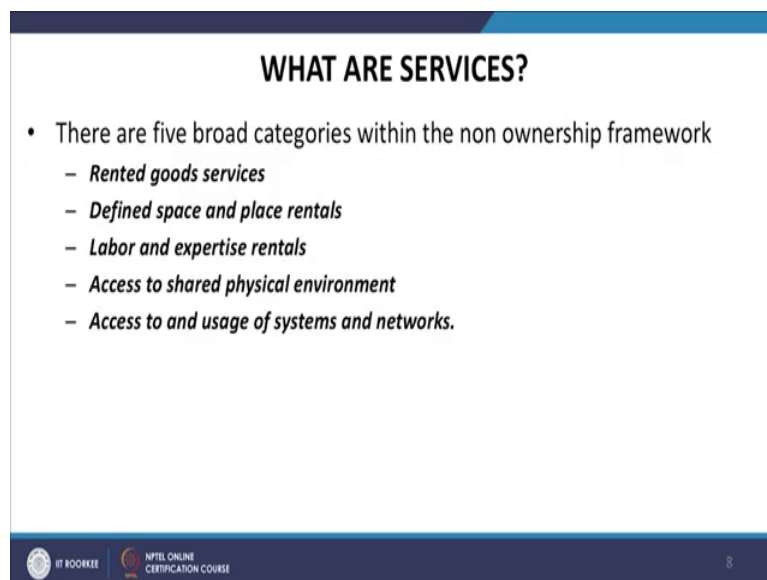
- A fresh perspective: **Benefits without Ownership**
- According to C. Lovelock and E. Gummesson services involve a form of **rental** through which customers can obtain benefits.
 - (a) Payment made for using or accessing something – usually for a defined period of time – instead of buying it outright and,
 - (b) Allows participation in network systems that individuals and organizations could not afford.

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Now, the fresh perspective is that they leads to benefit without any kind of ownership. In products, we own something and then we get benefits. In services, they lead to benefits without ownership of anything. According to Lovelock and Gummesson, services involve a form of rental through which customers can obtain benefits.

Though the first is the payment made for using or accessing something, usually for a defined period of time instead of buying it outright and it also allows for participation in network systems that individuals and organization could not afford. So, there is a network that network that allows participation in that and it is not possible for any individual or organization to make that kind of network.

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WHAT ARE SERVICES?

- There are five broad categories within the non ownership framework
 - *Rented goods services*
 - *Defined space and place rentals*
 - *Labor and expertise rentals*
 - *Access to shared physical environment*
 - *Access to and usage of systems and networks.*

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There are 5 broad categories or services within the non-ownership framework. So, now we are talking of a non-ownership framework where we just get benefits without owning the things. So, these are the five categories are rented good services, define the spaces and place rentals, labor and expertise rentals, access to shared physical environment and access to and usage of systems and networks.

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WHAT ARE SERVICES?

- **Rented goods services:**
These services enable customers to obtain the temporary right to use a physical good that they prefer not to own.
Boats, fancy dress costumes
- **Defined space and place rentals:**
Customers obtain use of a defined portion of a larger space in a building, vehicle, or other area.
Suite in an office building, seat in an aircraft

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Let us look at each one of them what it means when we say rented goods and services. So, these services enable customers to obtain that temporary right to use a physical good that they preferred not to own. For example, we can hire boats and then we also hire fancy dress costumes.

We do not want to own them because we will not be using them in the long term. So, they are to be used once in a while. Therefore we hire them. We rent them and pay, we take them and pay a rent for the time we are using those goods. Another is defined space and place rentals, customers obtained use of a defined portion of a large space in a building, vehicle or other area. That is, for example suit in an office building, a seat in aircraft, obviously no one owns a seat in the aircraft. So, we hire the seat, we rent the seed for a particular duration, moving from place x to y and then we pay for that.

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WHAT ARE SERVICES?

- **Labor and expertise rentals:**
Customers hire other people to perform work that they either choose not to do for themselves (e.g., *cleaning a house*) or are unable to do because they lack the necessary expertise, tools, or skills (*car repair, surgery*).
- **Access to shared physical environment:**
These environments may be located indoors or outdoors. In return for a fee, customers rent the right to share use of the environment with other customers.
museums, theme parks, gyms

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The third is labor and expertise rental, customers hire other people to perform work that they either choose not to do for themselves. For example, cleaning your house or are unable to do because they lack the necessary expertise or they do not have that kind of tools or they do not have that kind of skills. For example, car repairs, surgery, etc. The fourth is access to shared physical environment. These environments may be located indoors or outdoors. In return for a fee, customers rent the right to share use of the environment with other customers.

For example, we go to museum and there are other customers who have also paid the fees and we also pay a fees to move around the museum and look at the various things that are there. Then there are theme parks and gyms. So, we go to the gym, we pay a fee, use the equipment and then we come back. So, here we are accessing a shared physical environment with other customers.

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WHAT ARE SERVICES?

- **Access to and usage of systems and networks:**
Customers rent the right to participate in a specified network such as *telecommunications, utilities, or specialized information services.*

In many instances, two or more of these categories may be combined.

- ✓ When we hire a taxi, we're hiring both a driver and a vehicle.
- ✓ If you undergo surgery, you are, in essence, hiring a skilled team of medical personnel, as well as renting temporary (but exclusive) use of specialized equipment at a hospital.

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Then there is access to and usage systems and networks. Customers rent the right to participate in a specified network, such as telecommunication, utilities or specialized information devices. So, all of us are use roads, and so on, so forth and, we pay a fee for that. In many instances, two or more of this category can be combined.

For example, when we hire a taxi, we are hiring both, a driver as well as a vehicle. If we undergo surgery, you are in essence hiring a skilled team of medical personnel as well as we also rent temporary. But exclusive use of its specialized equipment at a hospital. So, now, there are various kind of combination that that may arise out of these services.

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DEFINITION OF SERVICES

- Services are *economic activities* performed by one party to another. Often *time-based*, these performances *bring about desired results to recipients, objects, or other assets.*
- In exchange for money, time, and effort, service customers *expect value* from access to labor, skills, expertise, goods, facilities, networks, and systems. However, they *do not normally take ownership of the physical elements involved.*



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Now, let us see what is the definition of services. Services are economic activities. So, the first important point is that they are economic activities that are performed by one party to another. So, one party, so there are two parties, one party performer service to another party, they are often time based.

These performances bring about desired results to recipients, objects and other assets. So, these are economic activities that are performed by one party for to another party, they are time based and these performances bring about the desired results to the recipients or the objects or other assets. So they, so you bring a car for repair, so the car is repaired. So, then the services performed in the car when you go to a doctor and get medicine then the services being performed on the person.

So, in exchange for money, time and effort, service customer expect value from access to labor, skills, expertise, goods, facilities, networks and systems. However, they do not normally take ownership of the physical elements involved. So, that is the prime focus of, in definition of services that we are not taking ownership of physical elements, so that are involved in it. But we are getting the benefits of those physical assets and we pay for them on a time based pricing with it.

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The slide is titled "SERVICE PRODUCTS VS. CUSTOMER SERVICE & AFTER-SALES SERVICE". It contains the following text:

- A firm's market offerings are divided into core product elements and supplementary service elements.
- Need to distinguish between:
 - Marketing *of* services – when service is the core product.
 - Marketing *through* service – when good service increases the value of a core physical good.

Handwritten annotations in red include a circled "1" above "core product elements", a circled "2" below "supplementary service elements", and a "+" sign to the right of "core product elements". A small video inset shows a man in a white shirt speaking.

At the bottom, there are logos for IIT KOOBEE and NPTEL ONLINE CERTIFICATION COURSE, and the page number 13.

Now, let us look at the service products versus customer service and after sale service, so what are these things and how they are different from each other. So, how service product is different from customer service and after sale service? So, our firm's market offerings are divided into core product elements and supplementary services element.

So, this market offering is made up of two things, one is the core product element. So that is the one thing and another is supplementary service element. So, a market offering is equal to the core product element plus supplementary service elements. There is a need to distinguish between marketing of services. That is where service is the core product.

When we are marketing the service itself then there is a need to distinguish when we are marketing through services, when good service increase the value of a physical product, when this service, this supplementary services good and it increases the value of the core physical product. So, it is not only the core physical product that we are paying for but also the good service that comes along the, or that is needed along with that.

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Now, these are examples of goods companies that are expanding into services. For example, Boeing, so they also have all those kinds of maintenance and all those kinds of services. JOHN DEERE, IBM has moved from being a product to now they are a purely service companies. SAP, OTIS, Symantec, GE, Procter and Gamble. So, these are some goods services, goods companies that are moving to services. Let us look at the examples of service industries.

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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
- **Others**
 - hair styling, pest control, plumbing, lawn maintenance, counseling services, health club

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One service industry is healthcare. So, all those hospitals and medical practice and dentistry and eye care, they are covered under this service industry that is called as healthcare. Then there are some professional services for example, accounting, legal and architectural services. These are called professional services because they are provided by professionals.

Then there are financial services for example, banking, investment advising and insurance. Then there are hospitality industry that includes restaurants, hotels and motels and bed and breakfast, ski resorts and camps and so on, so forth and then there are others for example, hair styling, pest control, plumbing, lawn moving and maintenance, counseling services and health clubs.

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FOUR CATEGORIES OF SERVICES A PROCESS PERSPECTIVE

- People processing
- Possession processing
- Mental stimulus processing
- Information processing

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These are the 4 categories of services when we are looking at them from a process perspective. So, one is people processing, another is possession processing, then we have mental stimulus processing and information processing. So, now, here the important thing is look at, in the first case people are being processed.

In the second case, possessions are being processed. In the third case, the mental stimulus is being processed and then in the fourth case the information is being processed. So, this is the process perspective to services and this leads to 4 categories of services.

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		Name of the Service Act	
		People	Possessions
Name of the Service Act	Tangible Actions	People processing (services directed at people's bodies): 1 <ul style="list-style-type: none"> • Hairstylist • Passenger Transportation • Healthcare 	Possession processing (services directed at physical possessions): 2 <ul style="list-style-type: none"> • Freight Transportation • Laundry and Dry Cleaning • Repair and Maintenance
	Intangible Actions	Mental stimulus processing (services directed at people's mind): 3 <ul style="list-style-type: none"> • Education • Advertising PR • Psychotherapy 	Information processing (services directed at intangible assets): 4 <ul style="list-style-type: none"> • Accounting • Banking • Legal Services

In this metrics, we will look at 4 categories of services. Now, of one access, it is the name of the Service Act. So, whether people are being processed or possessions are being processed. On the another axis it is the name of the Service Act that is whether the tangible action is taking place or intangible action is taking place.

So, now, let us look at this first quadrant, where the name of the Service Act is the people and then we are looking at the tangible action. So, when tangible action is happening on people, that becomes people processing. For examples, that means, services directed at people's body, for example, hairstylist, so you have to be there when the hair styling is being done, passenger transportation, so the person has to be there for when he or she wants to be transported.

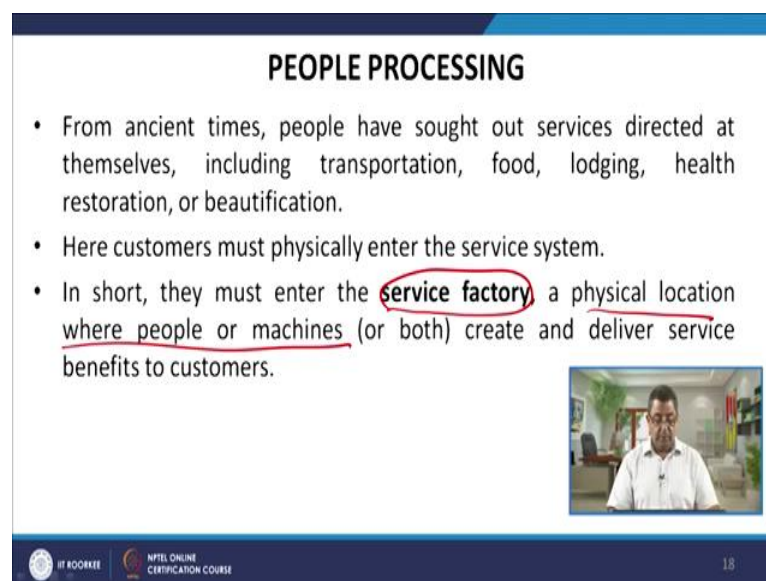
And then health care, so normally a person should be there in the medical facility, so that the healthcare can be taken care off, when some tangible action is taking place on possessions. So, that becomes possession processing that is services directed as at the physical

possessions. So, now this tangible action is being taken on positions for example, freight transportation.

While passenger transportation was in this quadrant, freight transportation is in the second quadrant because now freight is to be given and then it will be transported. Laundry and dry cleaning services, now you have to give your clothes in order to be dry cleaned and then repair and maintenance of your computers and ACs and automobiles, etc, etc. So, that is possessions processing.


In the third case, mental stimulus is being processed. So, on people there is some kind of intangible action that is taking place and that is called as mental stimulus processing. So, services are directed at people's mind. For example, education so that happens on people's mind. Advertising, public relations and physiotherapy. These are the example for mental stimulus processing and in the fourth quadrant, we have information processing, that is, when intangible actions are being taken on possessions, for example, accounting, banking and legal services. So, these are 4 categories of services from the process perspective.

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PEOPLE PROCESSING

- From ancient times, people have sought out services directed at themselves, including transportation, food, lodging, health restoration, or beautification.
- Here customers must physically enter the service system.
- In short, they must enter the service factory a physical location where people or machines (or both) create and deliver service benefits to customers.



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Let us look at each one of them in some detail. So, let us start talking about people processing. From ancient times, people have sought out services directed at themselves, including transportation, food, lodging, health restoration and beautification. Health, the important point is that the customers must physically enter the service system.

So, they must enter the service factory that is a physical location where people or machine or both create and deliver service benefits to customer. So, do not get confused with what the

service factory is, it is the facility or the physical location where there are people and machines and they are used to create and deliver services to the customers. So, in people processing, the person himself or herself has to go there to the service factory in order to get that service.

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PEOPLE PROCESSING

- **Implications of people processing services:**
 - Service production and consumption are simultaneous.
 - Active cooperation of the customer is needed in the service delivery process.
 - Careful consideration of location of the service operation, the design of service processes and the service environment, demand and capacity management, and output from the customer's point of view.

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Now, what are the implications of people processing? The first is that the service production and consumption are simultaneous. So, when you go there, then service will be delivered on you. It is not that you are not there and the services delivered. So, you have to be there in the service factory in order that the service is delivered.

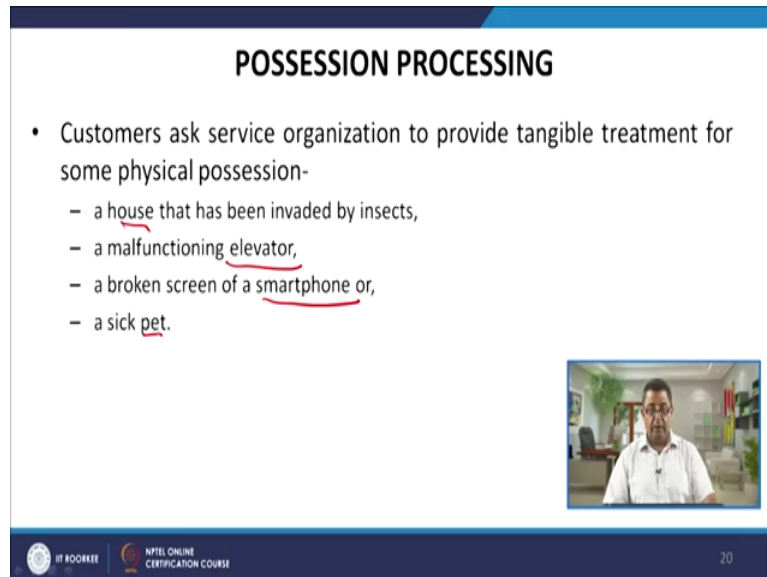
There is a need for active cooperation of the customer in the service delivery process. So, person will have to keep on telling about his or her requirement and then service will be tailored according to or customized according to his or her requirement. Therefore, there is a need for careful consideration of location of the service operations where it is easy for customers to reach the designer service processes and the service environment.

So, there is a requirement on the location where the service operations are there, the design of the service processes so that the customer does not have to hang around for a longer period of time and the service environment that it should be conducive environment and there is also a need for demand and capacity management.

Maybe you have more number of employees and only and there are no customers or you have lesser number of employees and there are lots of customers, so that also creates a problem


and we also have to look at the output from the customer's point of view what is the output that the customer wants?



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POSSESSION PROCESSING

- Customers ask service organization to provide tangible treatment for some physical possession-
 - a house that has been invaded by insects,
 - a malfunctioning elevator,
 - a broken screen of a smartphone or,
 - a sick pet.



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Let us move on to the next category that is possession processing. So, customers they ask service organization to provide tangible treatment for some physical possessions that is the house that has been invaded by the insect. So, they are buying a pest control service. The elevator has malfunctioned, so they have asked the elevator company to rectify it.

The screen of a smartphone has broken down, so that screen has to be changed and you have a sick pet. So, now there will be some kind of processing that will happen on your house or the elevator or the smartphone or the pet. So, it is not happening on the person himself, but also but it is happening on the possessions that are owned by that person.

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POSSESSION PROCESSING

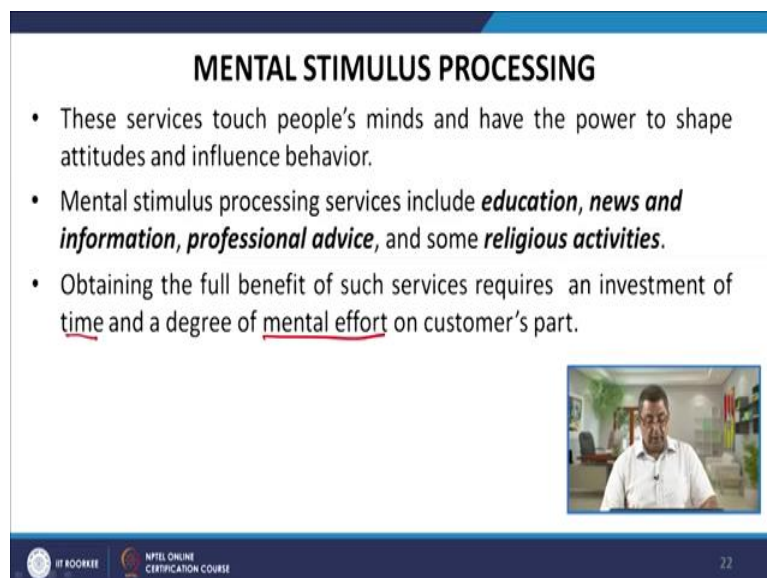
- Implications of possession processing services:
 - Production and consumption are not necessarily simultaneous.
 - Customers tend to be less involved in these services, compared to people-processing services.



  21


What are the implications of this for services? So, the first implication is production and consumption are not necessarily simultaneous. So, the production and consumption can happen at various times and customers tends to be less involved in these services compared to people processing services. Now, customer may not be there, when the processing is happening because the processing is happening on possessions and not the person himself. So, he or she may or may not be there, when that services being delivered.



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MENTAL STIMULUS PROCESSING

- These services touch people's minds and have the power to shape attitudes and influence behavior.
- Mental stimulus processing services include ***education, news and information, professional advice***, and some ***religious activities***.
- Obtaining the full benefit of such services requires an investment of time and a degree of mental effort on customer's part.



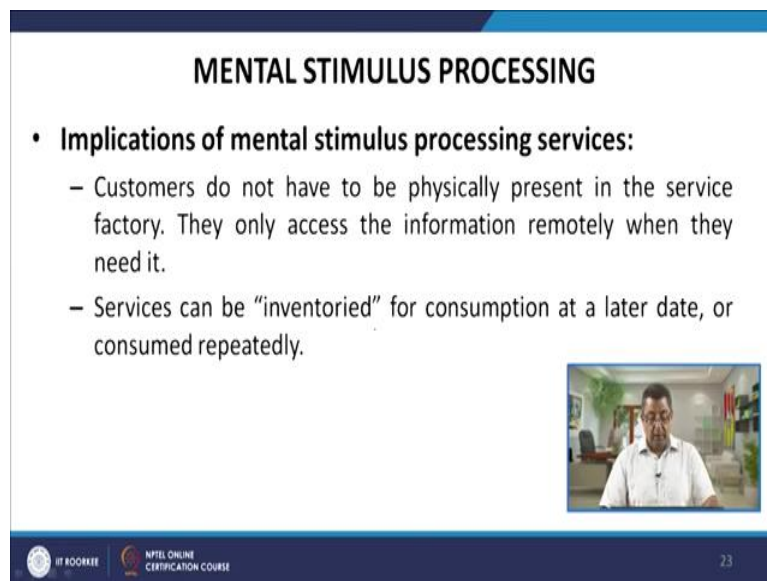
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What happens when mental stimulus is processed? These services they touch people mind and have the power to shape attitude and influence behavior. So, mental stimulus processing

services include education, so news and information, professional advice and some kind of religious activities.


So, they happen on, they act as a mental-stimuli and they act on the mind of the consumers. Obtaining the full benefit of service services requires an investment of time and a degree of mental effort on customer part. Now, the customer need to invest time and also some kind of mental effort to take advantage of these kind of services.


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MENTAL STIMULUS PROCESSING

- **Implications of mental stimulus processing services:**
 - Customers do not have to be physically present in the service factory. They only access the information remotely when they need it.
 - Services can be “inventoried” for consumption at a later date, or consumed repeatedly.




 23

What are the implications of this mental stimulus processing services that the customer do not have to be physically present in the service factory because that information or a lectures they can be recorded and then they can be viewed whenever the customer has time. So, the only access the information remotely when they need it. So, in this case, services can be invented for consumption at a later date or consume repeatedly. So, when you have recorded a lecture, it can be viewed several number of times.

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INFORMATION PROCESSING

- Information can be processed by information and communications technology (often referred to as ICT), and/or by professionals who use their brains to perform information processing and packaging.
- Information is the most intangible form of service output.
- However, it can be transformed into more permanent and tangible forms like **letters, reports, books, or files** in any type of format.
- Difficult to differentiate between information processing and mental stimulus processing services.



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The last category is that of information processing. So, information can be processed by information and communication technologies which are commonly referred to as ICT and or by the professionals who use their brains to perform information processing and packaging. Information is the most intangible form of service output.


However, it can be transformed into a more permanent and tangible forms like letters and reports, books or files in any type of format. It is difficult to differentiate between information processing and mental stimulus processing, because on the face of it, both of them they look the same.

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INFORMATION PROCESSING

- For **example**, if a stockbroker performs an analysis of a client's brokerage transactions, it seems like **information processing**.
- However, when the result of the analysis are used to make a recommendation about the most suitable type of investment strategy for the future, it would seem like **mental stimulus processing**.
- Therefore, for simplicity, we will periodically combine our coverage of mental stimulus and information processing services under the umbrella term of **information-based** services.

Information processing *Mental Stimulus processing*



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Now, let us look at the examples, if a stock broker performs an analysis of a client's brokerage transaction, it seems like information processing, however, when the result of the analysis are used to make a recommendation about the most suitable type of investment strategy for the future.

Now, it looks like mental stimulus processing because he has applied certain some kind of knowledge in order to get some kind of output. So, it is not only about information processing that he is doing. Therefore, for simplicity, we will periodically combine our coverage of mental stimulus and information processing services under the umbrella term of information based services.

So, information based services will include mental stimulus processing plus information processing. So, this is the broad term that we will be using for these two services and they are combining under the umbrella term that we will be using later on that is information based services.

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MARKETING CHALLENGES POSED BY SERVICES

- Can the marketing concepts and practices developed in manufacturing companies be directly transferred to service organizations where no transfer of ownership takes place?
- The answer is often “no.”
- Services tend to have different features from goods, including the frequently cited four characteristics-
 - 1- intangibility
 - 2- heterogeneity (variability of quality)
 - 3- inseparability of production and consumption and
 - 4- perishability

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Now, what are the marketing challenges that are posed by services as such. Can the marketing concepts and practices developed in manufacturing company be directly transferred to service organization where no transfer of ownership takes?

So, now, our problem is that in products there is a transfer of ownership and then for that concept we have developed some kind of marketing concept. Now, will these marketing concepts and practices hold true or will remain the same when we are talking of when there is

no transfer of ownership, so I do not own that thing. While in product I used to own that thing.

So, now this is the question and the answer is often no. So, there is a need to have different kind of marketing for services vis-a-vis a product. Services tend to have different features from goods, including the frequently cited four characteristics. The first characteristic is intangibility.

The second characteristics is heterogeneity that is, it means variability of quality. The third characteristic is inseparability of production and consumption. So, either the person or the position has to be there in order for services to be delivered and the last characteristic is that of perishability. So, these are the four important and they are frequently cited, characteristics of services and they also can be used to differentiate between a good and a service intangibility, heterogeneity, inseparability of production consumption and perishability.

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Difference	Implications	Marketing-related Topics
<ul style="list-style-type: none"> Most service products cannot be inventoried (i.e., output is perishable) 	<ul style="list-style-type: none"> Customers may be turned away or have to wait 	<ul style="list-style-type: none"> Smooth demand through promotions, dynamic pricing, and reservations Work with operations to adjust capacity
<ul style="list-style-type: none"> Intangible elements usually dominate value creation (i.e., service is physically intangible) 	<ul style="list-style-type: none"> Customers cannot taste, smell, or touch these elements and may not be able to see or hear them Harder to evaluate service and distinguish from competitors 	<ul style="list-style-type: none"> Make services tangible through emphasis on physical clues Employ concrete metaphors and vivid images in advertising and branding
<ul style="list-style-type: none"> Services are often difficult to visualize and understand (i.e., service is mentally intangible) 	<ul style="list-style-type: none"> Customers perceive greater risk and uncertainty 	<ul style="list-style-type: none"> Educate customers to make good choices, explain what to look for, document performance, offer guarantees
<ul style="list-style-type: none"> Customers may be involved in co-production (i.e., if people processing is involved, the service is inseparable) 	<ul style="list-style-type: none"> Customers interact with providers' equipment, facilities, and systems Poor task execution by customers may hurt productivity, spoil the service experience, and curtail benefits 	<ul style="list-style-type: none"> Develop user-friendly equipment, facilities, and systems Train customers to perform effectively; provide customer support

Let us look at the differences and the implication and marketing related topics. So, most services product cannot be invented, that is the output is perishable. Implication is that the customer will be turned away or have to wait in order to get the service. So, there is smooth demand through promotions, dynamic, you have to smoothen the demand through promotions, dynamic pricing and reservations.

The work with operations to adjust the capacity when we are talking of intangible elements usually dominate the value creation that is services physically intangible. So, customers they cannot taste the smell or touch these elements and may not be able to see or hear them. In that

case, they are harder to evaluate services and distinguish that from competitors. Now, in this case, what should marketing do?

They should make services tangible through emphasis on physical cues. Employ concrete metaphors and vivid image in advertising and branding. Another characteristic is services they are often difficult to visualize and understand that is services is mentally intangible. So, customer perceived greater risk and uncertainty in buying the services.

Therefore, the companies have to educate customers to make good choices, explain what to look for document performance and offer guarantees, when the customer may be involved in co-production, that is if people processing is involved, the services inseparable.

So, therefore, customers interact with the provider or equipment or facilities and systems and the poor task execution by customer may hurt productivity, spoil the service experience and curtail the benefit of that service. In that case, the companies have to develop user friendly equipment, facilities and systems. Train customers to perform effectively provide customer support.

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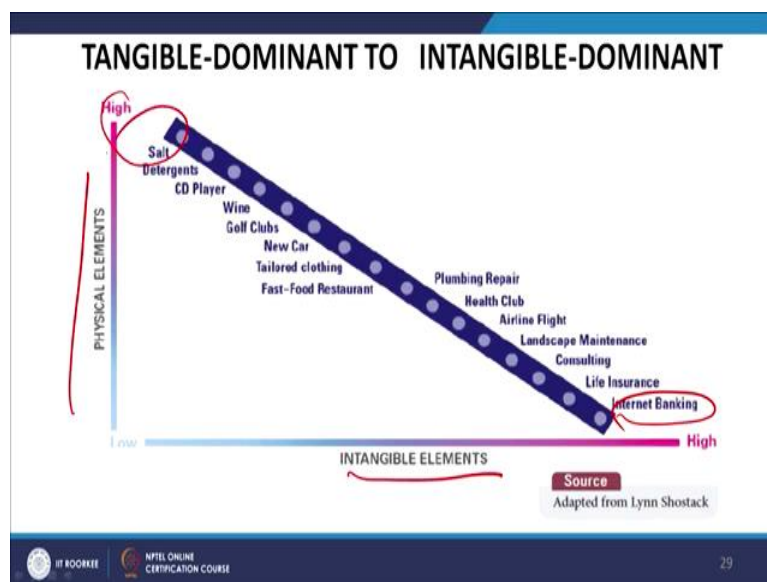
Difference	Implications	Marketing-related Topics
<ul style="list-style-type: none"> People may be part of the service experience 	<ul style="list-style-type: none"> Appearance, attitude and behavior of service personnel and other customers can shape the experience and affect satisfaction 	<ul style="list-style-type: none"> Recruit, train, and reward employees to reinforce the planned service concept Target the right customers at the right times; shape their behavior
<ul style="list-style-type: none"> Operational inputs and outputs tend to vary more widely (i.e., services are heterogeneous) 	<ul style="list-style-type: none"> Harder to maintain consistency, reliability, and service quality or to lower costs through higher productivity Difficult to shield customers from results of service failures 	<ul style="list-style-type: none"> Set quality standards based on customer expectations; redesign product elements for simplicity and failure-proofing Institute good service recovery procedures Automate customer-provider interactions; perform work while customers are absent
<ul style="list-style-type: none"> The time factor often assumes great importance 	<ul style="list-style-type: none"> Customers see time as a scarce resource to be spent wisely, dislike wasting time waiting, want service at times that are convenient 	<ul style="list-style-type: none"> Find ways to compete on speed of delivery, minimize burden of waiting, offer extended service hours
<ul style="list-style-type: none"> Distribution may take place through nonphysical channels 	<ul style="list-style-type: none"> Information-based services can be delivered through electronic channels such as the Internet or voice telecommunications, but core products involving physical activities or products cannot Channel integration is a challenge; that is to ensure consistent delivery of service through diverse channels, including branches, call centres and websites. 	<ul style="list-style-type: none"> Seek to create user-friendly, secure websites and free access by telephone Ensure that all information-based service elements are delivered effectively and reliably through all key channels

When people may be the part of the service experience, then the implication is implication for appearance, attitude and behavior of service personals and other customers can shape the experience and affect satisfaction. In that case, there is a need to recruit and train and reward employees to reinforce the planned service concept.

Target the right customers at the right time and shape their behavior. So, when the difference lies in operational inputs and output, then it is harder to maintain consistency, reliability and service quality or to lower the cost through higher productivity. It is difficult to shield customers from results of service failures. So, now we have to set quality standards based on customer expectations.

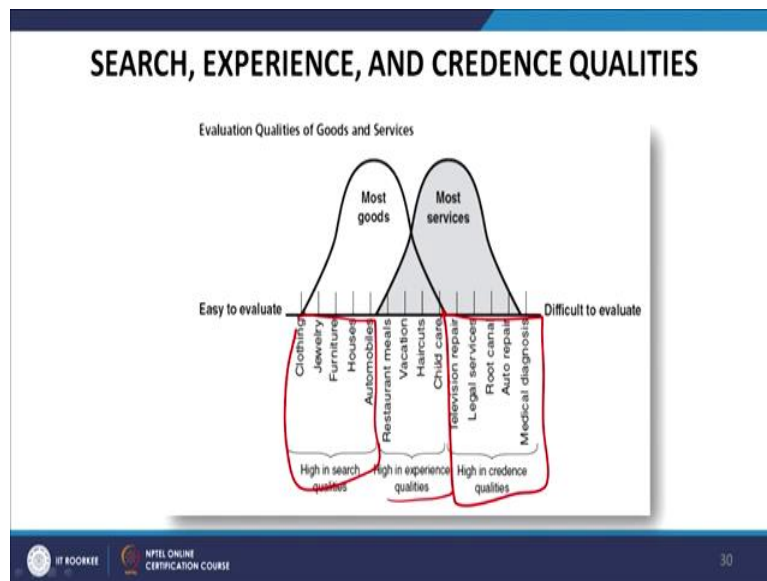
Then we have to institute good service recovery procedures and automate customer provider interaction when that the time factor of assumes greater importance then there is the need to find ways to compete on speed of delivery, minimize burden of waiting and offer extended service hours. When the distribution may takes through non-physical channel, then we have to then the company have to seek to create user friendly secure websites and free access by telephone.

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Now, this is a spectrum that shows the tangible to intangible dominant products and services. So, in the on this axis, we have intangible element on this stand, on this axis we have tangible or physical elements. Now, you see, internet banking is high on intangible element while salts and detergents they are high on the physical elements.

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These are the 3 types of qualities that are used to evaluate goods and services. Now, you see that most goods they are high on search qualities, most of the goods they are high on search qualities and most of the services they are high on credence and there are in between there are experienced quality. So, it covers some kind of goods and some kind of services, for example, restaurant meals and vacations and hair carts and childcare. So, these services they are high on experience white clothing, jewelry, furniture, they are high on search.

So, search means that you can evaluate before you make purchase, experiences that you go there and you enjoy the service and then you are able to evaluate. But credence means that you are not able to evaluate even after you have consumed the service or it is very difficult to evaluate a service even after you have consumed them.

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THE 7 'P'S OF SERVICES MARKETING

The 4 'P's

- *product*,
- *price*,
- *place* (or distribution), and
- *promotion* (or communication)

Extended Marketing Mix for Services – **The 3 'P's**

- *process*,
- *physical environment*, and
- *people*

  31

Now, let us look at the 7 'P's of services marketing and all of us know the first four 'P's that is product, price, place or distribution and promotion or communication. In services, we need two more 'P's, the process, physical environment and people.

(Refer Slide Time: 30:03)

THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- **Product Elements**
 - Service products lie at the heart of a firm's marketing strategy.
 - If poorly designed, it won't create meaningful value for customers, even if the rest of the 7 Ps are well executed.
 - Service products consist of
 - a **core product** that meets the customers' primary need and
 - an array of **supplementary service elements** (consultation, hospitality etc.) that are mutually reinforcing, and add value to help customer to use the core product more effectively.



  32

Now, let us look at how the traditional marketing mix is applied to services, the product element, let us talk about the product element. Service product lie at the heart of the firm's marketing strategy. So, the service product consists of a core product that paid customers primary needs and then there are array of supplementary service elements that are mutually reinforcing.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- **Price and Other User Outlays**
 - Like product value, payment is very important in allowing a value exchange to take place.
 - Pricing strategy is highly dynamic, with price levels adjusted over time according to factors like *customer segment*, *time* and *place of delivery*, *level of demand*, and *available capacity*.




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Services, the next P is the price and the other user outlay that they pay. So, like product value payment is very important in aligning a value exchange to take place. Pricing strategy is highly dynamic, while price levels adjusted over time according to factors like customer segment, time and place of delivery, level of demand and available capacity.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- Customers, by contrast, see price as a key part of the costs they must incur to obtain desired benefits.
- They may go beyond just money and assess the outlays of their time and effort
- Service marketers, therefore, must not set only prices that target customers are willing and able to pay, but also understand — and seek to minimize, where possible—other burdensome outlays such as
 - *Additional monetary costs,*
 - *time spent,*
 - *unwanted mental and physical effort, and*
 - *exposure to negative sensory experiences.*



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Now, customers by contrast, see price as the key part of the cost they must incur to obtain the desired benefit. So, service marketers therefore must not set only prices that target customers but are willing to pay, willing and able to pay but also understand and seek to minimize, where possible. Other bundles some outlays such as additional monetary cost and the time is spent, exposure to negative sensory experiences.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- **Most Service Products Cannot be Inventoried**
 - Services involve actions or performances, they are temporary and perishable.
 - Cannot be stocked as inventory for future use.
 - In periods of demand exceeds capacity, customers may be turned away or asked to wait until later.
 - Service marketers, should therefore, find ways of smoothing demand levels to match available capacity using **dynamic pricing** strategies.




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Now, most services cannot be invented. So, therefore, that involve action or performances and they are temporary in nature. Therefore, they need to have dynamic prices, so that we are able to match the demand and supply.

(Refer Slide Time: 31:30)

CONCLUSION

We began this module by understanding the concept of service.
Next we discussed about the four broad categories of services based on process perspective.
Finally we learnt about the traditional marketing mix (**Product** and **Price**) applied to services.



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- Zeithaml, V. A., Bitner, M. J., Gremler, D. D., and Pandit, A. (2009) *Services Marketing: Integrating customer focus across the firm*, Tata McGraw-Hill Education Pvt. Ltd., Fourth Edition.
- Hoffman, K. D., & Bateson, J. E. G. (2007) *Services Marketing : Concepts, strategies, & cases*, Thomson Publication, Third Edition.

To conclude, we began this module by understanding the concept of service. Next, we have discussed about the 4 broad categories of service as based on the process perspective. Finally, we have learned about the traditional marketing mix as applied to services. These are the 3 books from where the material for this module has been taken. Thank you.