

Services Marketing: Integrating People, Technology, Strategy

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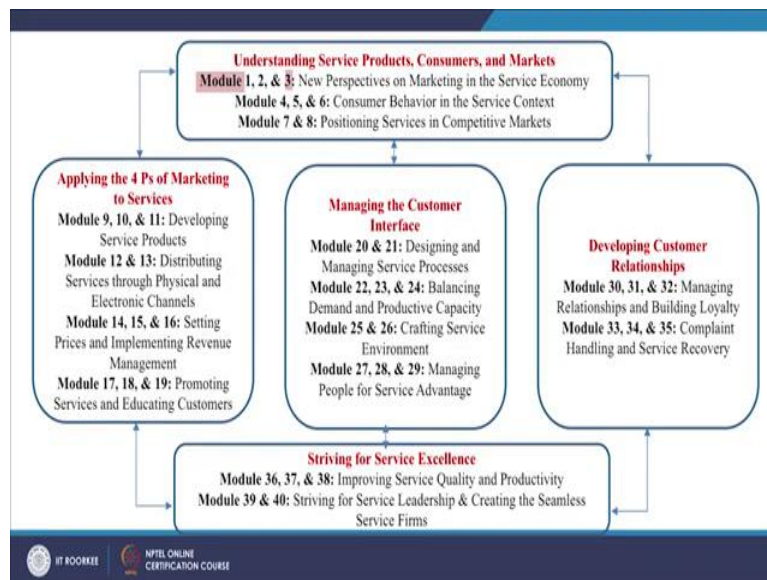
Lecture 03

New Perspective on Marketing in the Service Economy Part 03

Welcome to this course on Services Marketing, Integrating People, Technology and Strategy.

As we have already discussed that this course is divided in five sections.

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In the first section, we have started talking about understanding service products, consumers and markets. This section is divided into seven modules and the first three modules are dedicated to new perspective on marketing in the service economy. We have talked about module one and two and now, we will talk about the module three.

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MODULE OVERVIEW

1. Understand the components of the traditional marketing mix applied to services.
2. Describe the components of the extended marketing mix for managing the customer interface.
3. Appreciate that the marketing, operations, and human resource management functions need to be closely integrated in service businesses.

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And in module three, we will talk about things like first, to understand the component of the traditional marketing mix as applied to services. Second is to describe the components of the extended marketing mix for managing the customer interface. The third is appreciate that the marketing operations and human resource management functions need to be closely integrated for service businesses.

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MODULE OVERVIEW

4. Understand the implications of the Service-Profit Chain for service management.
5. Know the framework for developing effective service marketing strategies.

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Fourth is to understand the implications of the service profit chain for service management and the fifth is know the framework for developing effective service marketing strategies.

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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*

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So, let us start with the 7 'P's of services marketing we have all of us are well aware that there are 4 traditional pieces of marketing that is product, price, place or distribution and promotion or communication. In services marketing, this marketing mix is extended to include three more 'P's. So, it makes 7 'P's of services marketing. The 3 additional 'P's are process, physical environment and people. So, these are the 7 P's of services marketing.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- **Place and Time**
 - Service distribution may take place through physical or electronic channels (or both), depending on the nature of the service.
 - Banks offer a wide range of distribution channels, including visiting a bank branch, using a network of ATMs, online banking on a desktop, and using apps on a smartphone etc.
 - In particular, many information-based services can be delivered almost instantaneously to any location in the world that has internet access.

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Let us look at the place and time. So, service distribution may take place through physical or electronic channels or both of them depending upon the nature of the service. Banks offer a wide range of distribution channels, including visiting a bank branch, using a network of ATMs, online banking on desktop and using apps on your smartphone et cetera.

For the same, so you see that for the same kind of services banks are offering different channels to the customers. In particular, many information based services can be delivered almost instantaneously to any location in the world that has internet access. So, the only thing that is required for delivery of service is the internet access.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- **Distribution of core versus supplementary services**
 - Internet is reshaping distribution strategy for numerous industries.
 - But, we need to distinguish between its potential for delivering information-based core products (those that respond to customers' primary requirements) and simply providing supplementary services that facilitate purchase and use of physical goods.
 - Example of information-based core products include online educational programs offered by NPTEL.



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Next important thing that, we should be looking at is the distribution of core versus supplementary services. So, internet is reshaping distribution strategy for numerous industries. But, we need to distinguish between its potential for delivering information based core products, those that respond to customer's primary requirement and simply providing supplementary services that facilitated purchase and use of physical goods.

So, there are two things that worry us, one is the information based core product. So, those products that respond to customer primary requirements and then the second is a supplementary services that facilitate, purchase and use of this physical goods. Example of information based core products include online education programs offered by NPTEL.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- In contrast, if you book a flight online, the delivery of the core product itself must still take place through physical channels and you'll have to go to the airport in person to board your flight.



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In contrast, if you book a flight online, the delivery of the core product itself must take place through physical channels and you will have to go to the airport in person to board your flight.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- **Importance of the time factor**
 - Speed and convenience of place and time have become important determinants of effective distribution and delivery of services.
 - Many services are delivered in real time while customers are physically present.
 - Today's customers are highly time-sensitive, mostly in a hurry, and see wasted time as a cost to avoid.



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Another important component of this traditional marketing mix as applied to services is the importance of the time factor. Speed and convenience of place and time has become important determinant of effective distribution and delivery of services. Many services are delivered in real time while customers are physically present. Today, customers are highly time sensitive mostly in a hurry and see wasted time as a cost which should be avoided.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- Increasingly, busy customers expect service to be available when it suits them, rather than when it suits the supplier.
- If one firm responds by offering extended hours, its competitors often feel obliged to follow suit.
- Nowadays, a growing number of services are available 24/7, and via more delivery channels.



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Increasingly, busy customer expects service to be available when it suits them. So, when they want then the service should be made available to them rather than when it suits the supplier. Earlier version is that when the supplier wanted them, he used to supply services. But now, it is the other way wrong customer expect the service to be delivered when they are free when they wanted.

So, if one firm responds by offering extended hours, its competitors often feel obliged to follow suit. Because all the customers will shift to the earlier company which is offering extended hours. So, nowadays, a growing number of services are available 24 by 7 and via many more delivery channels.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES


- Promotion and Education
 - Few marketing programs can succeed without effective communications. This component plays **three** vital roles.
 - *Providing needed information and advice,*
 - *Persuading target customers to buy the service product, and*
 - *Encouraging them to take action at specific times*



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The third important, the next important component here is that of promotion and education. Few marketing programs can succeed without effective communication. So, this component plays three vital role. So, this promotional education this plays three vital roles. The first is to provide needed information and advice persuade target customers to buy the service products and encourage them to take action at specific times.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- In services marketing, much communication is educational in nature, especially for new customers.
- Suppliers need to teach their customers about the benefits of the service, where and when to obtain it, and how to participate in service processes to get the best results.




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In services marketing, much of the communication is educational in nature, especially for new customers because these new customers are to be educated. So, this communication is more of educational in nature. Suppliers need to teach their customers about the benefits of the service, where and when to obtain the service and how to participate in service process to get the best results. So now, what a supplier have to teach customers is where and when to obtain the service, how to participate in that service. So, that the customers can get the best results from that service.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- Services are Often Difficult to Visualize and Understand as **Intangible Elements** Tend to Dominate Value Creation.
 - Intangibility can consist of both *mental* and *physical* dimensions.
 - *Mental* intangibility means that it is difficult for customers to visualize the experience in advance of purchase and to understand the value and benefits they will be getting, while
 - *Physical* intangibility is that which cannot be touched or experienced by the other senses.



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Now, the next problem is that services are often difficult to visualize and understand as intangible elements tend to dominate value creation. So, now you keep in mind that the problem with services is that they are dominated by intangible elements and that is why it becomes difficult for customers to visualize the service.

So, intangibility can consist of both mental and physical dimension. Now, what is this mental and physical dimension? So, mental intangibility means that it is difficult for customers to visualize the experience in advance of purchase and to understand the value and benefit that they will be getting. So, the customers have to first purchase a service and then experience a service to understand what will be the benefits of the service. Another is physical intangibility which is that which cannot be touched or experienced by other senses. So, these are the two types of the intangibility that we are talking about mental and physical.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- Intangible elements, such as *processes*, *Internet-based transactions*, and the *expertise* and *attitudes* of service personnel — often create the most value in service performances.
- Therefore, an important role of a service firm's communications is to create confidence in the firm's experience, credentials, and expertise of its employees.
- For example, firms can use physical images and metaphors to promote service benefits and demonstrate the firm's competencies.



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Intangible elements are such as processes, internet based transactions and expertise and attitude of service personnel. These often create the most value in the service performance. Therefore, an important role of the service firm's communication is to create confidence in the firms experience, credentials and expertise of its employees.

Now, you see that there are some intangible elements which are very important for customers. For example, the processes of service delivery, then there are internet based transactions, expertise and attitude of service personnel. So, firms can use physical images and metaphors to promote service benefits and demonstrate the firm's competence in these four areas, in these four intangible elements.

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THE TRADITIONAL MARKETING MIX APPLIED TO SERVICES

- **Customer–Customer Interactions Affect the Service Experience.**
 - Other customers at a service facility, too can affect your satisfaction.
 - *how they're dressed,*
 - *who they are, and*
 - *how they behave*
 - Can reinforce or negate the image a firm is trying to project and the experience it is trying to create.
 - Marketing communications needs to be careful to attract the *right segment* to the service facility, and once there, it needs to *educate* them on the *proper behavior*.



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Then there is always a customer-customer interaction that affect the service experience because there may be more than one customer present at the time of service delivery. So, that customer-customer interaction there it also affects the service experience. So, other customers have the service facility too can affect your satisfaction as a customer.

How they are dressed, who they are and how they behave. So, this can reinforce or negate the image of the firm is trying to project and experience it is trying to create. So, the firm is trying to create certain kind of image and experience. But because there are other customers around in the facility where the service is being delivered and how they are dressed who they are and how they behave. So, that can affect the experience of all the customers.

Marketing communication needs to be careful to attract the right segment to the service facility and once there, it needs to educate them on the proper behavior. So, the first important thing here is to attract the right kind of segment and then to educate those customers for proper behavior. So, that the experience of everyone is fulfilling.

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EXTENDED MARKETING MIX REQUIRED FOR SERVICES

- **Process**
- Creating and delivering product elements requires design and implementation of effective processes.
- Badly designed service processes leads to
 - slow, bureaucratic, and ineffective service delivery
 - wasted time
 - a disappointing experience
 - low productivity and
 - increased likelihood of service failure

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Another issue here, the next issue here is that of the process. Creating and delivering product elements requires design and implementation of effective processes and processes are the sequence of steps taken to deliver a service. So, badly designed service process can lead to slow bureaucratic and ineffective service delivery.

Wasted time, wasted time for the employees, service delivery employees as well as the customers are disappointing experience for all the customers, low productivity with respect to the service delivery employees and increased likelihood of a service failure. So, when the

service processes are not properly designed, then there are lots of problems and this will lead to service failure.

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EXTENDED MARKETING MIX REQUIRED FOR SERVICES

- **Operational Inputs and Outputs Can Vary Widely**
 - Vary more widely for services, and can make customer service process management a challenge.
 - Best service firms reduce variability by
 - *Carefully designing customer service processes,*
 - *Adopting standardized procedures and equipment,*
 - *Training employees more carefully and*
 - *Automating tasks previously performed by humans.*

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Operational input and output can vary widely, vary more widely for services and can make customer service process management a challenge. So, in services, the input and output can vary. So, best firms reduce variability by carefully designing customer service process. So, each process is well defined.

Each activity to complete a process is well defined. So, that this variability comes down. Adopting a standardized procedures and using technology or equipment, training employees to be more careful and deliver the same kind of service to everyone and automate tasks previously performed by humans. So, humans are being replaced by technology or equipment, so that the service become standardized.

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EXTENDED MARKETING MIX REQUIRED FOR SERVICES

- **Customers Are Often Involved in Co-production**
 - Some services require customers to participate actively in co-producing the service product.
 - For example, you're expected to help the investment banker understand what your needs are, how much you want to invest financially, the kind of risks you are willing to take, etc.
 - This will enable the banker to advise you on what to invest in. In fact, service scholars argue that customers often function as *partial employees*.

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Now, customers are also often involved in co-production of the service. Some services require customers to participate actively in co-producing the service product. For example, you are expected to help the investment banker understand what your needs are, how much you want to invest financially and the kind of risk you are willing to take.

So, the customers have to give all this kind of information to the investment banker and only then the investment banker will be able to make a proper investment strategy for that customer. So, this will enable the banker to advise you on what to invest in, when to invest and what may be the best investment options available to you. In fact, services scholars argue that customers often function as partial employees. So, partial employees means doing some activities that the company's employees are supposed to do. So, in services, customer are often doing several functions that employee does. So, therefore, they are also termed as partial employees.

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EXTENDED MARKETING MIX REQUIRED FOR SERVICES

- **Demand and Capacity Need to be Balanced**
 - Manufacturing can ensure a smooth process flow by having an inventory of materials and parts ready for use.
 - For services, such buffering means having customers wait in the service process. This requires:
 - *Balancing of demand and capacity,*
 - *Design of waiting and queuing systems, and*
 - *Management of the impact of waiting on the customer's psychology.*



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Yet another problem with services that of balancing the demand and capacity. Manufacturing firms can ensure a smooth process flow by having an inventory of material and parts ready for us. So, in manufacturing lots of inventory can be maintained of the raw material and semi-finished goods and parts.

But in services such buffering means having customer waiting service process. So, the basic problem is to make the customer wait and because customers are running shorten time, they may not like to wait, so balancing of demand and capacity, design of a waiting and queuing system and management of the impact of waiting on customer psychology.

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EXTENDED MARKETING MIX REQUIRED FOR SERVICES

- **Physical Environment**
 - Physical environment or servicescape play an important role where customers are required to enter the service factory.
 - Appearance of buildings, landscaping, interior furnishings, equipment, staff members' uniforms, signs, printed materials, and other visible cues provide tangible evidence of a firm's service quality.
 - The servicescape also facilitates service delivery, and guides customers through the service process.
 - Have profound impact on *customer satisfaction* and *service productivity*.
↳ employees



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Then important concept is that of the physical environment, physical environment it is also called as servicescape. It plays an important role where customers are required to enter the service factory. So, now service customers buying services they enter a service factory. Now, obviously the surrounding the physical environment or the servicescape becomes important.

Appearance of a building, landscaping, interior furnishings, equipment, staff members' uniforms, signs, printed materials and other visible cues, provide tangible evidence of firms' service quality. So, this firms' service quality is made tangible by way of these things which are called as the physical environment or the servicescape which is a place where service is delivered, where the employees and the customers they come together and they interact.

So, the servicescape also facilitates service delivery and guides customer through the service process. Now, this have a profound impact on customer satisfaction and service productivity. So, it will affect the customers as well as the employees, it will affect the satisfaction of the customer and the productivity of the employee. So, this makes physical environment and servicescape an important element of extended marketing mix for services.

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EXTENDED MARKETING MIX REQUIRED FOR SERVICES

- **People**
 - Service firms need to devote special care in selecting, training, and motivating their service employees.
 - The **difference** between one service supplier and another often lies in the attitude and skills of their employees.
 - In addition to possessing the technical skills, individuals also need good interpersonal skills and a positive attitude. *of service delivery behaviour*
 - Loyal, skilled and motivated employees represent a key **competitive advantage.**

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Another problem area in services that of people, service firms need to devote special care in selecting, training and motivating their service employees. The difference between one service supplier and another often lies in the attitude and skill of the employees. So now, one company has one group of employees, another company has another group of employees.

What differentiates these two companies, is the attitude and skill of their employees. In addition to possessing the technical skills, individuals also need good interpersonal skills and

positive attitude. So, we are not only talking about the technical skills that is required for delivery of the service, but also good interpersonal skills and the positive attitude of the service personnel.

Loyal, skilled and motivated employees represent a key competitive advantage. So, these are the three sources of key competitive advantage and services, loyal, skilled and motivated employees. So, you may have, you may have or you may not have all those kinds of equipment and technology. But if you have loyal, skilled and motivated employees, then you can have a competitive advantage.

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EXTENDED MARKETING MIX REQUIRED FOR SERVICES



Hospitality is shown through employees wearing a ready smile and being ready to serve customers

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Now, look at this picture, hospitality is shown through employees wearing a ready smile and being ready to serve customers. So, that will distinguish one company from another and this will be a source of competitive advantage for this company.

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Now, let us look at the integration of marketing with other management functions. So, we are talking of integration of marketing with human resources management with operations management and all these management functions, they are then interrelated, they are then integrated and in between is the customer.

So, customer gets a holistic picture of the company and not individualistic picture. So, these function must collaborate to serve the customers they for a great kind of customer satisfaction, integration of the, of all these functions is necessary.

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INTEGRATION OF MARKETING WITH OTHER MANAGEMENT FUNCTIONS

- Marketers working in a service business cannot expect to operate successfully in isolation from managers in other functions.
- In fact, four management functions play central and interrelated roles in meeting the needs of service customers: **marketing, operations, HR, and IT.**
- Top management should ensure that each of these functions don't operate in departmental silos.

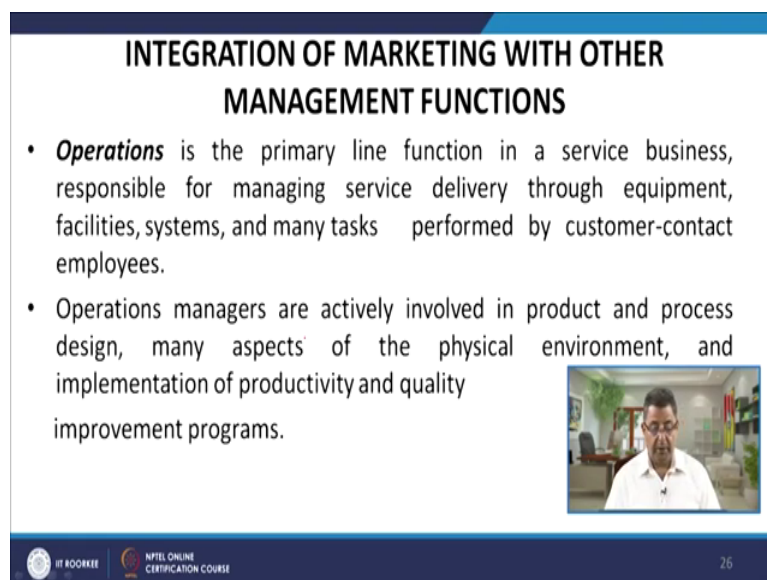
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So, marketers working in a service business cannot expect to operate successfully in isolation from managers and other functions. In products it may be possible that managers working in different functions may be working in isolation. But in service businesses, marketers and operation managers and human resource managers they have to work in close collaboration with each other.


In fact, four management functions play central and interrelated roles in meeting the needs of service customers. So, these are the four management functions they have to come together to meet the needs of the service customers. So, marketing operation, HR and IT, they will be integrated in order to satisfy the customer needs. So, top management should ensure that each of these functions do not operate in departmental silos and they should and they are working on a team in a whole rather than in silos.

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INTEGRATION OF MARKETING WITH OTHER MANAGEMENT FUNCTIONS

- **Operations** is the primary line function in a service business, responsible for managing service delivery through equipment, facilities, systems, and many tasks performed by customer-contact employees.
- Operations managers are actively involved in product and process design, many aspects of the physical environment, and implementation of productivity and quality improvement programs.




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So, operations is the primary line function in a service business, responsible for managing service delivery through equipment facilities, systems and many tasks performed by customer contact employees. Operation managers are actively involved in the product and process design, many aspects of the physical environment and implementation of productivity and quality improvement programs.

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**INTEGRATION OF MARKETING WITH OTHER
MANAGEMENT FUNCTIONS**

- **HR** is responsible for job definition, recruitment, training, reward systems, and quality of work life — all of which are, central to the people element.
- Service organizations cannot afford to have HR specialists who do not understand customers.
- Marketing and operations activities are easier to manage and are more likely to be successful, when employees have the skills and training needed to succeed in their jobs, and recognize the importance of creating and maintaining customer satisfaction.



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Human Resource Manager is responsible for job definition, recruitment, training, reward systems, the quality of work life, all of which are central to the people element. So, you see the HR is so important in services, because they look after the service employees and these service employees they deliver the service to the customer.


So, service organization cannot afford to have HR specialist who do not understand customers. So, all those kinds of training and reward system, etc has to be, has to go backward from what customers wants and what are their needs and how their need to be satisfied and then these kind of reward systems and training programs etc and recruitment policies et cetera have to be then defined accordingly.

Marketing and operation activities are easier to manage and are more likely to be successful. When employees have the skills and training needed to succeed in their jobs and recognize the importance of creating and maintaining customer satisfaction. So, if the employees are well trained and have the right kind of attitude. Then the job of the marketing and operations becomes so much more easier.

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**INTEGRATION OF MARKETING WITH OTHER
MANAGEMENT FUNCTIONS**

- IT is a key function as service processes are information-heavy — at almost every customer touchpoint, real-time information is needed.
- Operations, HR, and marketing are critically dependent on IT to manage their functions and create value for the organization's customers.




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IT is a key function as service process or information heavy at almost every customer touch point real time information is needed. So, that is what makes IT although it is a backend function, but it becomes very important. Operations, HR and marketing are critically dependent on IT to manage their functions and create value for the organization's customer. So, when IT help in managing the operations, HR and marketing, then it creates value for the organization's customers.

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**INTEGRATION OF MARKETING WITH OTHER
MANAGEMENT FUNCTIONS**

- As a service manager you need to be concerned about:
 - Satisfying your customers on a daily basis,
 - Operational systems running smoothly and efficiently,
 - Employees are not only working productively, but are also delivering good service.
 - Problems in any one of these areas can negatively affect the execution of tasks in other functions and might result in dissatisfied customers.
 - In short, integration of activities between these functions is the name of the game in services.



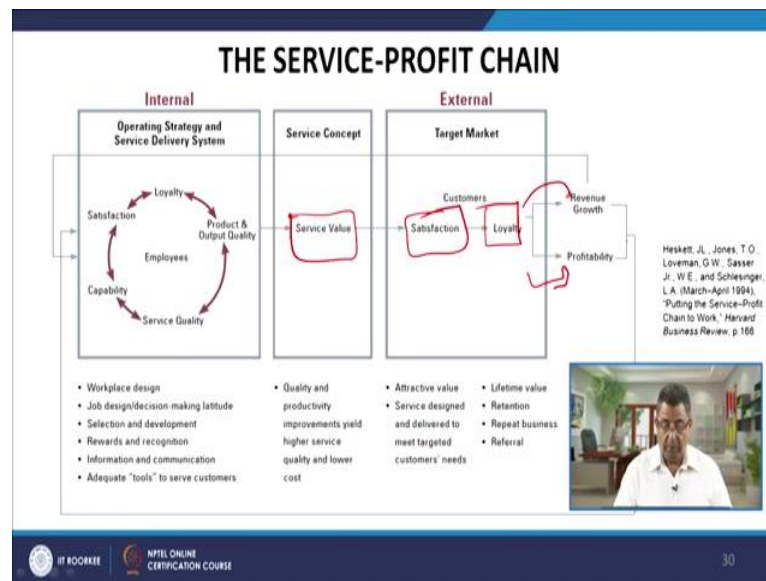
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As a service manager, you need to be concerned about satisfying your customer on a daily basis, every time you need to be concerned about satisfying your customers. The operational systems running smoothly and efficiently only then you will be in a position to satisfy the customers.

Employees are not only working productively, but also delivering good service. So, it is not only about productivity serving X number of customers in an hour. So, that is not the only important criteria and services, it is also about delivering good service. So, that the customers become satisfied.

Problem in any one of these areas can negatively affect the execution of task in the other functions and may result in dissatisfied customers. So, if all the systems and processes are not functioning in an integrated manner. So, that may result in the dissatisfied customers. In short, integration of activities between these functions is the name of the game in services. So, that is why we started with the title that integration of services, integration of a strategy employees and IT. So, we started with that. So, this integration is the name of the game.

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Now look at the service profit chain. So, there are some internal factors and there are some external considerations. Internal means operating strategy and service delivery system. Operating strategy and service delivery systems, so we start with product and output quality that leads to loyalty, satisfaction, capability and service quality that is on the employees then it creates service value.

Now, this is then transferred to the target market. So the, your customers become more satisfied and more loyal and obviously when customers are all loyal they will give you more profitability and more revenue growth. So, we are talking about the internal processes that is an operating strategy and service delivery systems like workplace design, job design and decision making, latitude, selection and development, rewards and recognition, information and communication and adequate tools to serve customers.

Service concept means quality and productivity improvements yield higher service quality and lower cost. So, this is what this service concept related to service value is that it leads to quality and productivity improvements and higher service quality at a lower cost at the same time.


Now satisfaction and loyalty to the customers, attractive value service designed and delivered to meet target customers needs and loyalty can be then translated into lifetime value, loyal customers may have a higher lifetime value, retention of customers becomes easier they will come with repeat businesses and they will refer your company to other customers and that will lead to revenue growth in the long term and profitability in the short term.



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THE SERVICE-PROFIT CHAIN

1. Customer loyalty drives profitability and growth
2. Customer satisfaction drives customer loyalty
3. Value drives customer satisfaction
4. Quality and productivity drive value
5. Employee loyalty drives service quality and productivity
6. Employee satisfaction drives employee loyalty
7. Internal quality as delivered by operations and IT drives employee satisfaction
8. Top management leadership underlies the chain's success.

Links in the Service-Profit Chain



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So, it is the service profit chain works in this manner that customer loyalty drives profitability and growth, customer satisfaction drives customer loyalty and value drives customer satisfaction and what drives value is the quality and productivity. Employee loyalty, drive service quality and productivity and from how does employee loyalty comes?

Satisfied employee drive, employee loyalty, internal quality as delivered by operations and IT drives employee satisfaction and top management leadership underlies the success chain. So, all this chain will become a profit chain when the top management leadership is driving this profit chain. So, these are the links in the service profit chain.

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A FRAMEWORK FOR DEVELOPING EFFECTIVE SERVICE MARKETING STRATEGIES

- (1) Understanding service products, consumers, and markets;
- (2) Applying the 4 Ps of marketing to services;
- (3) Designing and managing the customer interface (i.e., the additional 3 Ps of services marketing);
- (4) Developing customer relationships; and
- (5) Striving for service excellence.

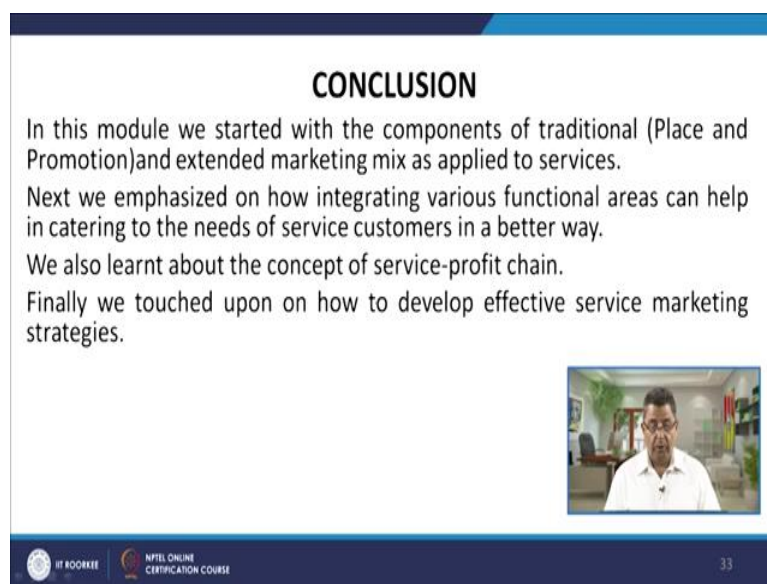


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Let us look at the framework for developing effective service marketing strategies. So, the first is to understand service products, consumers and markets, applying the four 'P's of marketing to services, designing and managing the customer interface, the additional three 'P's of services marketing.

For, so therefore, for designing and managing of this customer interface, meeting the customers delivering the service to the customers. So, for this the important thing is the additional 3 'P's of service marketing, then developing customer relationships and is striving for service excellence.

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CONCLUSION

In this module we started with the components of traditional (Place and Promotion) and extended marketing mix as applied to services.

Next we emphasized on how integrating various functional areas can help in catering to the needs of service customers in a better way.

We also learnt about the concept of service-profit chain.

Finally we touched upon on how to develop effective service marketing strategies.


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To conclude in this module we have started with the components of the traditional place and promotion and extended marketing mix as apply to services. Next week moved on and emphasized on how integrating various functional areas can help in catering to the needs of service customers in a better way. Then we learned about the concept of service profit chain. Finally, we touched upon how to develop effective services marketing strategies.

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REFERENCES

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These are the books from where the material for these this module has been taken. Thank you.