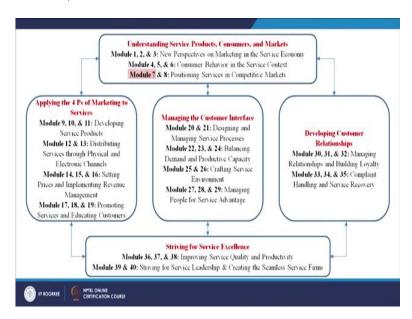
Services Marketing: Integrating People, Technology, Strategy Professor Zillur Rahman Department of Management Studies Indian Institute of Technology, Roorkee Lecture 07 Positioning Services in Competitive Markets Part I

Welcome to this course on Services Marketing and we are talking about the first section, that is Understanding Service Products, Consumers and Markets.

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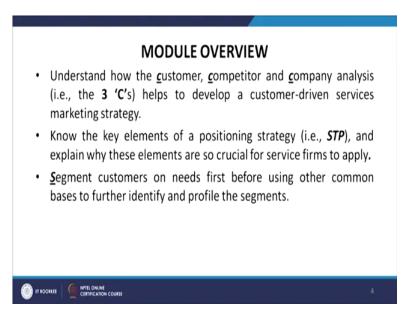
Now, we will talk about Positioning of Services in Competitive Markets. And module 7 and module 8, they are dedicated to this topic that is Positioning of Services in Competitive Market. So, let us start with the module 7.

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In this module, that relates to Positioning of Services in Competitive Markets.

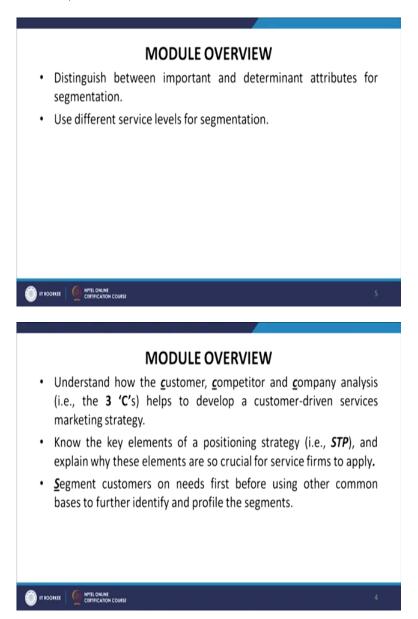
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This module relates to understanding how the customers, the competitors, and company analysis, that is the 3 'C's help to develop a customer-driven service marketing strategy. Then we will talk about understanding the key elements of the positioning strategy, that is the segmentation targeting and positioning and explain why these elements are so crucial for service firms to apply.

How do service customers, we will segment the customers on needs first, before using other common bases to further identify and profile the segments. So, in this section, we will first segment the customers on the basis of their needs, and then we will move on to various other methods of identifying and profiling the segments.

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We will also try to distinguish between important and determinant attributes for segmentation and then we will use different service levels for segmentation. So, these are the various methods of segmentation, but we will start with the need base segmentation and then we will move on to the other basis of segmentation.

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INTRODUCTION As competition intensifies in the service sector, it is becoming ever more important for service organizations to differentiate their products in ways that are meaningful to customers. How do customers make decisions about buying and using a service? What makes consumers or institutional buyers select — and remain loyal to — one supplier over another?

So, as competition intensifies in the service sector, it is becoming ever more important for service organization to differentiate their products in ways that are meaningful to the customers. So, because of the increased competition, it is becoming much more important to differentiate your offerings, one. Second, but then this differentiation should also be meaningful to the customers.

How do customers make decision about buying and using of services? So, it is not only about buying and it is not only about using, it is about both, how do they buy and use the services. What makes consumers or institutional buyers select and remain loyal to one supplier over another. So, what are the important things that will make customer loyal to one particular company as compared to the other companies.

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CUSTOMER-DRIVEN SERVICES MARKETING STRATEGY

- Without knowing which product features are of specific interest to customers, it is hard for managers to develop an appropriate strategy.
- In a highly competitive environment, there is a risk that customers will perceive little real difference between competing alternatives.
- Therefore customers make their choices based on who offers the lowest price.





Now, let us see Customer-Driven Services Marketing Strategy. Without knowing your product, which product features are of specific interest to the customers, it is hard for managers to develop an appropriate marketing strategy. So, the first thing for developing a appropriate marketing strategy is to know, which product features are of more interest or some specific interest to your segment.

In a highly competitive environment, there is risk that customers will perceive little difference between competitive alternatives. So, this is the problem with the competitive environment, that the differentiation between the offerings, it becomes blur. Therefore, customers make their choices based on who offers the lowest prices. So, obviously, when the differentiation is blurred, so the only important criteria for customers to make a decision is the price.

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CUSTOMER-DRIVEN SERVICES MARKETING STRATEGY

- Managers need to think systematically about all aspects of the service offering.
- And they need to emphasize competitive advantage on attributes that will be valued by customers in their target segment(s).





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Managers need to think systematically about all aspects of their service offerings and they need to emphasize competitive advantage on attributes that will be valued by the customers in their target segments. So, the managers, they have to understand what are the important attributes for their target segments, and then to emphasize those and that will lead to competitive advantage.

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CUSTOMER-DRIVEN SERVICES MARKETING STRATEGY

- This typically begins with an analysis of <u>c</u>ustomers, <u>c</u>ompetitors and the <u>c</u>ompany, collectively often referred to as the 3 'C's.
- This analysis helps a firm to determine the services positioning strategy, which are <u>segmentation</u>, <u>targeting</u> and <u>positioning</u>, frequently called *STP* by marketing experts.



This typically begins with an analysis of the 3 'C's that is the customers, competitors and the company. This analysis helps a firm to determine the service positioning strategy, which are segmentation, targeting and positioning frequently called as STP by the marketing experts.

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Now, let us look at the services marketing positioning strategy. So, this is the flow chart. Now, let us look at the right-hand side. So, it starts with defining and analyzing the market segments. So, first is, your need base segmentation, followed by our demographic and psychographic and behavioral segmentation. Then identify attributes and service levels that are valued by each segment.

The next thing on the right-hand side is your select target segments for your service. Determine customers, the firms can serve better or in the best way. Identify and analyze possibilities for differentiation, decide on the focus strategy that is service markets are fully focused, select benefit to emphasize to the customers.

So, benefit must be meaningful to the customers and they must be of value, they must not be met by the competitors. So, first thing is that the attribute should be important for the customers and the second important criteria here is that they should not be well met, met as expected by the customers by the competition. Then the next thing in this flow is articulate the desired position in the market. Positioning must address an attractive market. Positioning must give us sustainable competitive advantage over competition.

And this determine service marketing strategy and action plan. So there is this positioning strategy, 7 Ps of service marketing that we talked about, customer relationship management and service quality and productivity strategy. On the left-hand side, we do customer analysis. So, first we try to understand the market attractiveness, market size and growth, the profitability and the market trends, then we will look at the customer needs.

We also do competitive analysis that is their current positioning, their strengths and weaknesses and then we will do the company analysis. So, company's positioning and the brand image, strengths, weaknesses and the values. So, this is how we go about developing a services marketing positioning strategy.

And on the left-hand side, this is the customer analysis or the situation analysis which includes the customer analysis, the competitive analysis and the company's analysis that are the 3 'C's. Then we go about segmentation, targeting and then positioning keeping this in mind.

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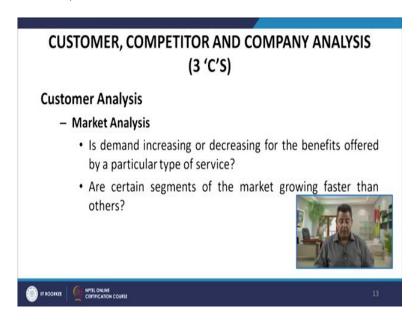
Now, the customer analysis will include; market analysis and the customer needs analysis.

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Market analysis means establishing attractiveness of overall market and potential segments within the market, look at overall size and growth of the market, margins and profits potential and demand levels, and trends that affect this market. Establish attractiveness of overall market and potential segments within it, look at overall size and growth of market, margins and profit potentials and demand levels and trends affecting the market.

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Is demand increasing or decreasing for the benefit offered by this particular type of service? So, obviously what is the demand for this particular type of service? And are certain segments of marketing, of market growing faster than others? So, are there certain segments of the markets which are growing faster as compared to other segments?

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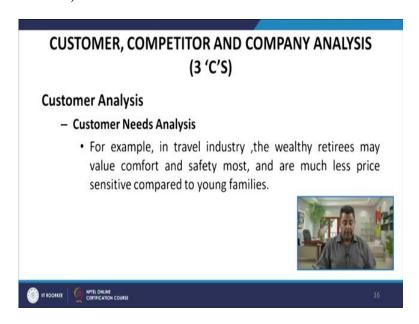
The customer need analysis includes, who are the customers in that market in terms of demographics and psychographics? What needs or problems do they have?

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Are they potentially different groups of customers with different needs that require different service products or different level of services. So, if it so that it becomes easier for segmentation, and what are the benefits of the service each of these groups they value most.

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For example in travel industry, the wealthy retirees may value comfort and safety most and are much less price sensitive compared to the young families. So, young families they have lesser money, while these retirees they have more money so, they are concerned more with the comfort and the safety, while young families may be concerned with other things.

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Then we will talk about analyzing the competition. The first thing that we need to do here is the identification and analysis of competition. Then analyzing the competitors' strengths and weaknesses, understanding opportunities for differentiation and competitive advantage. The goal is to enable managers to decide which benefit should be emphasized to which target segments. So, different target segments maybe valuing different kind of benefits, different types of benefits. So, here the goal is to enable managers to decide, which benefit for which segment.

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This is also known as internal corporate analysis. Company analysis helps in identifying the organization's strengths. Strengths in terms of its current brand positioning and the image. And also in terms of the resources that the organization has. So, it is about the strengths, we assess the strength on the basis of the brand positioning and the image and then also on the basis of the financial resources, the human resources and know-how and the various physical assets.

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Company analysis helps in understanding organization limitations and constraints. So, the organization may have a number of restraints, but at the same time, it will also have a number of weaknesses. And how it value, its value shape the way it does business. Using insights from this analysis, management can select a limited number of target market segments.

Depending upon the kind of resources the company has, the value that shapes the way it does business, so now this insights can be used for selecting the target markets. That can be served with either existing or the new service. So, you have to, the company has to look at the target markets that can be served with existing services or the company need to develop some new services to cater to these segments.

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And here core question is, how well can our company and our services address the needs and problems faced by each customer segments? So, can we address those problems and needs that are faced by the customer segments or not? So, the core question is this.

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Now, let us start with the segmentation, in this, Segmentation, Targeting and Positioning. A market segments is composed of a group of buyers who share common characteristics, needs, purchasing behavior and or the consumption pattern. Grouping can be based on the four segmentation variables. The first is demographic, the second is geographic, the third is

psychographics and the fourth are the behavioral variables. Customers in the same segment should have as similar needs as possible.

So, this is the bottom-line of segmentation that the customers in the same segment should have similar needs. But between segments their needs should be as different as possible. So, this is what makes a segment homogenous and different from other segments. So, the customers within the segment should have very similar needs but they should have very different needs from the customer in other segments.

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The next in the series is after we have done the segmentation, then comes targeting. So, after we have used those variables and divided the market into various segments, now it is time to choose which of these segments to target. So, after segmentation, the firm has to assess the attractiveness of each segment. Now, how to select which segments to cater to.

The first thing here is to assess the attractiveness of each segment and decide which segment should, would most likely be interested in its services and focus on how to serve them well. So, the first is to assess the attractiveness of each segment. How? By deciding which segments would most likely be interested in your services and then focus on how to serve them better than the competitors.

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The next thing here in this STP is, the last thing here in this STP is positioning. That is a unique place that a firm and or its offering occupy in the mind of the customers. So, positioning is all about having a unique position in the mind of the customers. There is nothing tangible about it. It is there in only in the minds of the customers.

Differentiation is the first step towards creating a unique positioning for a service. So, for having a unique positioning, positioning has to be unique and the first step for developing a positioning is to determine that differentiation. Differentiation that our offerings have from the competitor's offering. So, that is the main, the first step in developing a positioning strategy.

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Elements of a Positioning Strategy	Key Concepts	
Segmentation	Segmenting service markets Service attributes and service levels relevant for segmentation Important versus determinant attributes Establishing service levels	
T argeting	Targeting service markets through four focus strategies: Willy focused Market focused Service focused Unfocused	B
P ositioning	Positioning services in competitive markets Using positioning maps to plot competitive strategy Developing an effective positioning strategy	2

Now, let us look at the elements and key concepts of a service positioning strategy. On the left-hand side, there are elements of positioning strategy, and on the right there are the key concepts. So, let us look at the first element of the positioning strategy, that is segmentation. So, we are, the key concepts here are the segmenting service markets, service attributes and service level relevant for segmentation. So, important attributes versus determinant attributes, establishing the various service levels.

The next element of this positioning strategy is targeting. Targeting service markets through four focus strategies. One is fully focused, another is market focused, the third is service focused and the fourth is not at all focused, that is unfocused. The last element of this positioning strategy is positioning itself. So, positioning services in competitive markets, using positioning maps to plot competitive strategy, and develop an effective positioning strategy.

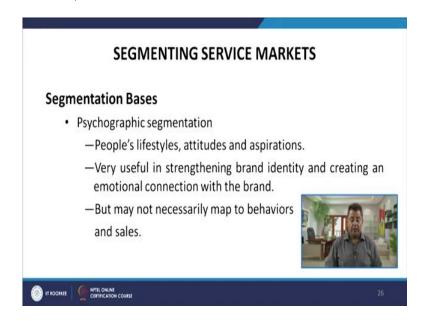
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Now, what are the various bases for segmentation? The first one is demographic segmentation. So, we divide the market on the basis of demographics, that is based on age, gender and income. For example, Bank Al Habib, it targets senior citizens, the Makeup Genius app by L'Oréal targets women.

However, two people in the exact same demographic, they may have the same age, the same gender and the same income, but they may exhibit very different buying behavior. For example, not all 20-year old middle class male feel and behave the same way. So, it means that this demographic segmentation may not be the right way to segment in a particular kind of situation.

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So, the another method of segmentation then is psychographics. People's lifestyles, attitudes and aspirations are used to segment the markets which is called as psychographic segmentation. It is very useful in strengthening brand identity and creating an emotional connection with the brand. But may not necessarily map to behavior and sales.

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So, because of this problem the psychographics segmentation, another type of segmentation comes into play that is called as behavioral segmentation. Behavioral segmentation addresses the shortcoming of not being able to map behavior as it focuses on observable behavior such as people being non-users, light users or heavy users.

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Then we come to this need-based segmentation. This is focuses on what customers truly want in a service and maps closely to the multi-attribute decision model which was discussed earlier. Example, a time and a quality sensitive segment, versus a price sensitive segment. So, after we have talked about those demographic and psychographics and behavioral, now this is about need-based segmentation.

So, now we decide, keeping that multi-attribute decision model that we have talked about earlier, now based on that, then we decide what are the wants of the customers, what do they want in the service and then we will try to segment according to the wants of the customers.

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Often people have very different needs and their decision-making criteria vary according to the purpose of using the service and who makes the decision. So, now you see that the decision-making criteria is dependent on the purpose of using a service and not only that, also who makes a decision. So, that will affect the decision-making criteria and the choice of which service to buy.

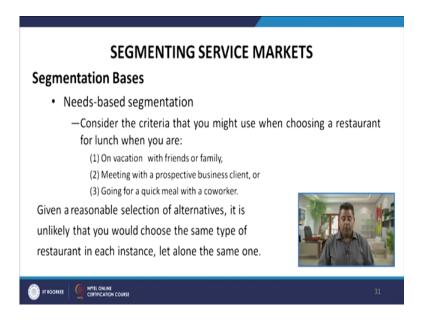
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The timing of use that is the time of the day, the week or a season. So, will I use it every day or will I use it once a week or once a season. Whether the individual is using the service alone or with a group, and if the latter, the composition of that group. So, when you go on a

leisure trip, so there maybe a group of people and the composition of the group maybe important criteria for selecting a service.

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So, consider the criteria that you might use when choosing a restaurant for lunch, when you are: one, on vacation with friends or family; two, meeting with a prospective business client or going for a quick meal with a coworkers. Now, the choice of the restaurant for lunch maybe different in these three situations.

So, given a reasonable selection of alternatives, it is unlikely that you would choose the same type of restaurant in each instance, let alone the same one. So, when you are going for a quick meal, then you maybe going to a quick service restaurant. When you are going to meet a prospective business client so that can be star hotel. When you are on vacation with friends or families, so you may just choose any option that is available at the time of the lunch.

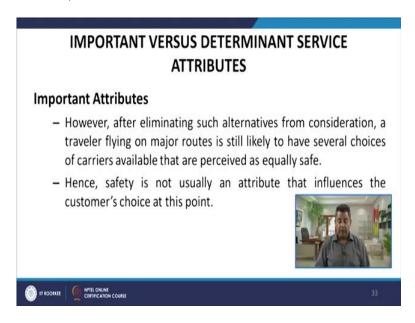
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Now, let us look at what are the important versus determinant service attribute. So, there are some important service attributes and there are some determinant service attributes. What are these important service attributes? Consumers usually make their choices among alternative service offerings on the basis of perceived difference between them. So, consumers look at the services and then they think of the perceived differences between those services.

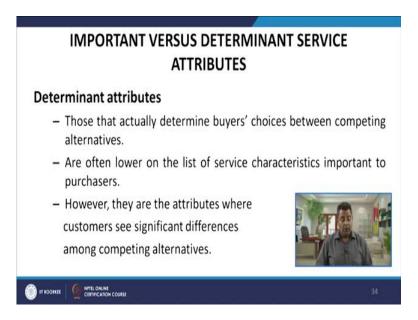
However, the attributes that distinguish competing services from one another may not always be the most important one. So, now the problem is that, although there maybe differences between the offerings of a firm, but the attributes on which these services are distinguish may not be important for the customer. For instance, many travelers rank safety as a very important attributes in their choice of an airline and avoid traveling on airlines with a poor safety reputation.

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However, after eliminating such alternatives from consideration, a traveler flying on a major route is still likely to have several choices of carriers available that are perceived as equally safe. Hence, safety is not always an attribute that influence the customer choice at this point. So, it maybe the important attribute but it does not affect the choice of the customer so far as choosing which airline to fly with.

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Now, let us look at the determinant attributes. Determinant attributes are those attributes that actually determines buyers choices between competing alternatives. So, these are very

important in that sense, they are not important attributes but then they determine which service alternative the customer will buy.

The important attributes are on which the service offering are differentiated. But then these important attributes may not be the determinant attributes. Determinant attributes are those that actually determine the buyer choices, which service the buyer will buy, so that are determined by the determinant attributes. They are often lower on the list of service characteristics important to the purchasers.

However, they are the attributes where customers see significant difference among competing alternatives. So, now we have to keep in mind that we have to focus on those attributes which are determinant attributes and then we have to do better than the competitors on those determinant attributes. So, it is not about which attributes to distinguish, which attributes we should differentiate on. Those attributes should be chosen to differentiate which are determinant attributes.

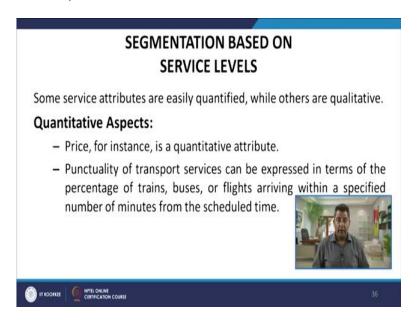
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Because they determine which services the customer will buy. For example, determinant characteristics of, for business travelers when selecting an airline could be; convenience of departure and arrival times of an airline; quality of in line flight service; and the ease of making reservations. But for budget-conscious vacation travelers, on the other hand, price might assume primary importance.

So, now you see that for a business traveler, the determinant attributes may, are different as compared to a budget-conscious vacation traveler. For a budget-conscious vacation traveler, the price maybe the most important attribute, but for a business traveler, convenience of departure and arrival, the quality of the in-flight service and the ease of making reservations maybe determinant attributes.

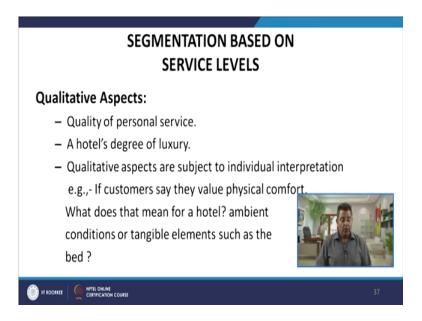
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So, some service attributes are easily quantifiable and while others are not so. So, some attributes are quantified, while some attributes they are more qualitative in nature. Some are quantitative in nature and some are qualitative in nature. Let us look at what are the quantitative aspects.

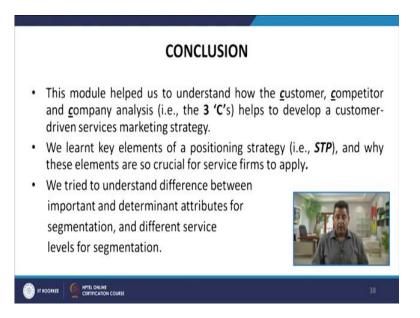
Price for instance is a quantitative attribute. Punctuality of a transport service can be expressed in terms of the percentage of trains, buses or flights arriving within a specified number of minutes from the scheduled time. So, these are some quantitative aspects. The important thing, the important point that I want to make here is that the quantitative aspects may not be the determinant aspects. While qualitative aspects maybe determinant aspects and vice versa.

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So, qualitative aspects include; quality of the personal service; a hotel's degree of luxury; qualitative aspects are subject to individual interpretations. For example, if customers says they value physical comfort, what does that mean for a hotel? Ambient conditions or tangible elements such as the bed. So, that is the difference between these qualitative and quantitative aspects.

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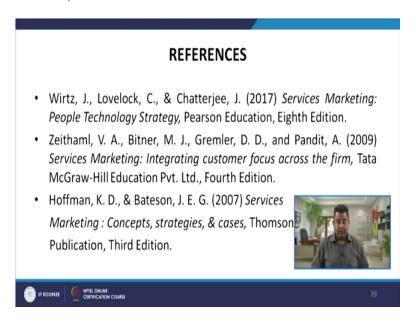
To conclude, in this module we have tried to understand how the customers, the competitors and company analysis, that is the 3 'C' analysis, which is also called a situation analysis helps to, which, and these 3, the 3 'C's analysis, they are, it is a part of the situation analysis and it

helps to develop a customer-driven services marketing strategy. So, these 3 'C', these analysis of these 3 'C's is not the only thing that are there in situation analysis, there are other two 'C's also. But for the time being, we will talk about only these 3 'C's and on which the positioning strategy of a company is directly based upon.

So, we have learnt key elements of positioning strategy, that is the STP and why these elements are so crucial for service firms to apply. We have also tried to understand the difference between the important and determinant attributes for segmentation, and different service level for segmentation.

So, in this third point, we have tried to understand how to go about doing segmentations, the segmentation and positioning maybe more valid when we add positioning or services on the basis of determinant attributes. Then we can also segment the market on the basis of various levels of segmentation.

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And these are the three books which we have used for this module. Thank you.