
UNIT 3 MARKETING OF SERVICES

Objectives

The learning objectives of this unit are:

- to understand the basis for making a distinction between products and services
- to understand the concept of service in terms of its special characteristics
- to understand the implications of these characteristics in designing a marketing strategy
- to identify the various elements of a marketing strategy required to successfully market a service
- to develop familiarity with each element of the marketing strategy as it is applicable in the case of services

Structure

- 3.1 Introduction
- 3.2 The Concept of Service
- 3.3 Reasons for Growth of the Service Sector
- 3.4 Characteristics of Services
- 3.5 Elements of Marketing Mix in Service Marketing
- 3.6 Product
- 3.7 Pricing
- 3.8 Promotion
- 3.9 Distribution
- 3.10 People
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- 3.12 Process
- 3.1 Summary
- 3.14 Key Words
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3.1 INTRODUCTION

Economists have divided all industrial and economic activities into three main groups: primary, secondary and tertiary. Primary activities include agriculture, fishing and forestry. Secondary activities cover manufacturing and construction, and tertiary activities refer to the services and distribution. In the pre-industrialised era, primary activities were the mainstay of the economy. The Industrial Revolution marked the beginning of increasing importance of secondary activities and the gradually decreasing status of agriculture and allied activities. The period following World War II saw USA become the world's first 'service economy' with more than fifty per cent of the working population employed in producing services.

Today 75 million Americans are employed in the service sector and as much as seventy per cent of the US economy is service-oriented. This led a New York Congressman to remark that America is becoming a nation of people who are "serving each other hamburgers or taking in each other's laundry". However, the US service industry is a very technical and sophisticated one comprising computer and software development, business consultancy, telecommunication, banking and insurance.

This pattern of economic development is not universally applicable to all countries. In many African and Asian countries the agriculture sector is still the dominant one. In countries like, India, we can observe the growing importance of the manufacturing and service sectors while agriculture still continues to retain its stronghold on the economy. The manufacturing and service sectors are growing not only in volume but also in



Sophistication and complexity. The wide array of services found in the metropolitan cities of Mumbai, Bangalore, Delhi, Calcutta, and Chennai compare favourably with those found anywhere in the world.

Daniel Bell, in his book 'The Coming of the Post-Industrial Society' called this period of dominance by the service sector as the post-industrial society. According to him: "If an industrial society is defined by the quantity of goods as marking a standard of living, the post-industrial society is defined by the quality of life as measured by the services and amenities-health, education, recreation, and the arts-which are now deemed desirable and possible for everyone".

3.2 THE CONCEPT OF SERVICE

The term *service* is rather general in concept, and it includes a wide variety of services. There are the business and professional services such as advertising, marketing research, banking, insurance, computer-programming, legal and medical advice. Then there are services which are provided by professionals but consumed for reasons not of business, rather for leisure, recreation, entertainment and fulfilment of other psychological and emotional needs such as education, fine arts, etc.

Table 1
List of Selected Services

Utilities	Insurance, Banking, Finance
Electricity	Banks
Water Supply	Share & Stock Brokers
Law Enforcing, Civil, Administrative and Defence Services	Business, Professional & Scientific Activities
Police	Advertising
Army	Marketing Research
Air Force	Consulting
Navy	Accountancy
Judiciary	Legal
Civil Administration	Medical
Municipal Services	Educational
(Sewage, disposal of corpses, maintenance of roads, parks & public buildings)	Research
	Maintenance & repairs (of plants, machinery & equipment)
	Leasing
	Computer Programming
	Employment Agencies
Transport & Communication	Leisure, Recreation
Railways (Passenger & Freight)	Cinema, Theatre
Air Transport (Passenger & Freight)	Clubs, Gymnasiums
Post & Telegraph	Restaurants, Hotels
Telephone & Telecommunication	Video Game Parlours
Broadcasting (All India Radio)	Casinos
Telecasting (Doordarshan)	Self-improvement Courses
Distributive Trades	Miscellaneous
Wholesale Distribution	Beauty Parlours
Retail Distribution	Health Clubs
Dealers, Agents	Domestic Help
	Drycleaning
	Matrimonial Service

Source: Adapted from Donald Cowell, 'The Marketing of Services' Heinemann, London.

Faced with such a broad spectrum we need to define the concept of service from a marketing view-point. Kotler offers one such definition: "A service is any activity or



benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".

W.J. Stanton views services as fulfilling certain wants and states that, "services are those separately identifiable, essentially intangible activities which provide want-satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of title (permanent ownership) to these tangible goods".

As in the case of a product, in the case of services also your starting point for understanding the marketing dynamics is the want satisfaction of the customers. It is important to correctly identify the particular want(s) which your service is fulfilling, since this will provide the clue for designing the most appropriate marketing strategy.

A restaurant provides satisfaction to its customers on the basis of type and quality of its food, its decor and environment and the behaviour of its staff and its location in a busy commercial-cum-office complex. For instance, 'Class Touch' was started as a restaurant serving exclusive Western and Chinese cuisine with expensive decor, a live band, beautifully liveried waiters and a high-price menu. The venture was a flop right from the start. On the advice of its marketing consultant, the restaurant changed over from serving elaborate, expensive meals to a 'fast-food' character providing quick, reasonably priced meals for consumption both within and outside the restaurant. Today this restaurant is a big success. It was the correct identification of the want-satisfaction which helped the restaurant become successful. Located in a predominantly office area, the restaurant's major clientele was office going people. During office lunch-break, people do not visit a restaurant for relaxation or status satisfaction. They have limited time at their disposal and want a quick clean meal at a reasonable price, with minimum frill and fancy. In this case, the restaurant was satisfying the basic hunger need, but was catering to a very specific class of customers (office-goers) with a special kind of constraint (that of time and money).

To be successful, you have to firstly, identify the basic need which is being fulfilled by your service, and secondly, find ways and means to differentiate it from that of the competitors so that you can increase your number of customers and also command their loyalty. In our earlier example of the restaurant it was only after the basic need had been correctly identified that the restaurant could adopt an appropriate marketing strategy and turn the corner. Thus, as a marketing manager involved in the marketing of services your first concern should be the identification of the customers' needs. A clue to this can be provided by looking into the reasons for the phenomenal growth of the service sector in recent times.

3.3 REASONS FOR GROWTH OF THE SERVICE SECTOR

Manufacturing industries grew because they produced tangible goods which satisfied man's physiological needs of food, shelter and clothing. As the basic need was fulfilled there was demand for improved satisfaction, and this led to a proliferation of variations of the same product and a number of companies involved in its manufacture. The growth of service industries can be traced to the economic development of society and the socio-cultural changes that have accompanied it. Table 2 presents the reasons for growth of service industries.

Sometimes, the growth of specific service industry is the result of a combination of several reasons. Increasing affluence coupled with the desire to utilise leisure time for leisure rather than for doing odd repair jobs in the house had led to the growing tribe of plumbers and electricians. Increasing affluence combined with increasing complexity of life and increasing insecurity has led to the phenomenon of credit cards and travellers cheques which have proved to be almost perfect substitutes for money. These credit cards provide convenience and safety. In fact, convenience is proving to be a key concept in the provision of services.



Exercise 2

What are the services which your firm uses on a regular basis in the areas of marketing, finance and government dealing? Against each service, describe the nature of organisation providing the service (viz. individual, firm, government agency etc.)

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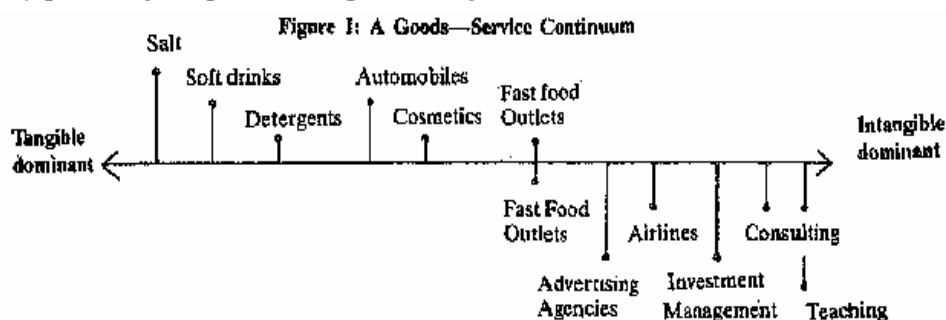
3.4 CHARACTERISTICS OF SERVICES

Services have a number of unique characteristics that make them so different from products. Some of the most commonly accepted characteristics are:

- intangibility
- inseparability
- heterogeneity
- perishability
- ownership.

Intangibility

When you buy a cake of soap, you can see, feel, touch, smell and use to check its effectiveness in cleaning. But when you pay fees for a term in college, you are paying for the benefit of deriving knowledge and education which is delivered to you by teachers. In contrast to the soap where you can immediately check its benefits, there is no way you can do so in case of the teachers who are providing you the benefits. Teaching is an intangible service. When you travel by aeroplane, the benefit which you are deriving is a service (transportation) but it has some tangible aspects such as the particular plane in which you fly (Boeing, Avro, Concorde, and the food and drink which is served). In this case the service has both a tangible and intangible aspect as compared to teaching which has no tangible aspect at all. Figure 1 presents the tangible-intangible dominant aspect on a goods-service continuum. This continuum highlights the fact that most services are in reality a combination of product and service having both tangible and intangible aspects. There are only a few truly pure tangible products or pure intangible services.



Source: Shostack, G.L., 1977 "Breaking Free from Product Marketing" *Journal of Marketing*, Vol. 41, No. 2 American Marketing Association.

The distinguishing feature of a service is that its intangible aspect is dominant. J. Bateson has described the intangible characteristics of services which make them distinct from products. These intangible features are:

- a service cannot be touched
- precise standardisation is not possible
- there is no ownership transfer
- a service cannot be patented
- production and consumption are inseparable
- there are no inventories of the service



- middlemen roles are different
- the consumer is part of the production process so the delivery system must go to the market or the customer must come to the delivery system.

Exercise 3

Identify and describe the tangible and intangible aspects of the service provided by the following:

- i) hospital
- ii) petrol-station
- iii) property dealer
- iv) beauty parlour
- v) dry cleaner

Are any of these a pure tangible product or pure intangible service?

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Inseparability

In most cases service cannot be separated from the person or firm providing it. Service is provided by a person who possesses a particular skill (singer), by using equipment to handle a tangible product (dry cleaning) or by allowing access to or use of physical infrastructure (hotel, train). A plumber has to be physically present to provide the service, the beautician has to be available to perform the massage. This is in direct contrast to products which can be produced in the factory today, stocked for the next two, three or more months and sold when an order is procured.

Heterogeneity

The human element is very much involved in providing and rendering services and this makes standardisation a very difficult task to achieve. The doctor who gave you his complete attention in your last visit may behave a little differently the next time. The new bank clerk who cashes your cheques may not be as efficient as the previous one and you have to spend more time for the same activity. This is despite the fact that rules and procedures have been laid down to reduce the role of the human element and ensure maximum efficiency. Airlines, restaurants, banks, hotels have a large number of standardised procedures. You have to reserve a room in a hotel and this is a straight forward procedure for which all the steps are clearly defined. Human contact is minimal in the computerised reservation systems, but when you go to the hotel there will be a person at the reception to hand over the key of your room. The way this person interacts with you will be an important factor in your overall assessment of the service provided by the hotel. The rooms, the food, the facilities may be all perfect, but it is the people interacting with you who make all the difference between a favourable and unfavourable perception of the hotel.

Perishability

Services cannot be stored and are perishable. A car mechanic who has no cars to repair today, or spare berths on a train, unsold seats in a cinema hall represent service capacity which is lost forever. Apart from the fact that a service not fully utilised represents a total loss, the other dimension of this perishability aspect is that most services may face



a fluctuating demand. There is a peak demand time for buses in morning and evening (office hours), certain train routes are always more heavily booked than others. This fluctuating demand pattern aggravates the perishability characteristic of services.

Ownership

When you buy a product you become its owner-be it a pencil, book, shirt, refrigerator or car. In the case of service, you may pay for its use but you never own it. By buying a ticket you can see the evening film show in the local cinema theatre; by paying wages you can hire the services of a chauffeur who will drive your car; by paying the required charges you can have a marketing research firm survey into the reasons for your products' poor sales performance, etc. In case of service, the payment is not for purchase, but only for the use or access to or for hire of items or facilities.

A service is purchased for the benefits it provides. If we closely examine the reasons why products are purchased, we find that they are bought not because of their physical, tangible features but because they provide certain intangible benefits and satisfactions.

Detergent powder provides the primary benefit of cleanliness, air-conditioner provides the benefit of a cool, comfortable environment, a mixer-cum-grinder provides convenience. The only difference between products and services is that in the latter the intangible component is greater than in the former. Thus, services can be treated as a special kind of product.

From a marketing view-point the same concepts and techniques are applicable for both products and services. The successful marketing of both requires market research, product design, product planning and development, pricing, promotion and distribution. However, for marketing of services, the marketing manager must understand the nature of the five characteristics of services and the manner in which they impinge on the marketing strategy.

Table 3 describes the implications of characteristics of services and how the marketing strategy can be focused to overcome these constraints. Besides the constraints highlighted in Table 3, there are some other factors which have inhibited the active marketing of services. Professionals such as doctors and lawyers have traditionally been

Table 3
Implication of service characteristics and ways of overcoming them

Service characteristics	Implications	Means of overcoming characteristics
1 Intangibility	Sampling difficult. Difficult to judge quality and value in advance. Not possible to patent or have copyright. Relatively difficult to promote.	Focus on benefits. Use brand names. Use personalities to personalise service. Develop reputation. Increase tangibility (e.g. its physical representation).
2 Inseparability	Requires presence of performer/producer. Direct sale. Limited scale of operations. Geographically limited market.	Learn to work in larger groups. Work faster. Train more service performers.
3 Heterogeneity	Difficult to standardise quality.	Careful selection and training of personnel. Define behaviour norms. Reduce role of human element. Mechanise and automate maximum possible operation.
4 Perishability	Cannot be stored. Problem of demand fluctuation.	Better match between supply and demand by price reductions in low demand season.
5 Ownership	Customer has access to but not ownership of facility or activity.	Stress advantages of non-ownership such as easier payment scheme.

Source: Cowell, Donald, "The Marketing of Services". Heinemann, London.



opposed to the idea of marketing, rather they have relied on the word of mouth of satisfied customers for increasing their clientele.

The small size of many service organisations such as beauty parlours, repair shops, barber shops etc. also limits the use of marketing techniques which can be successfully used in larger organisations and then there is the case of service organisation such as schools, hospitals, universities which enjoy more demand than they can cope with. These institutions have therefore never felt the need for actively marketing their services.

3.5 ELEMENTS OF MARKETING MIX IN SERVICE MARKETING

For marketing of products, the four elements of marketing mix are product, price, distribution and promotion, which are used in a specific combination to arrive at the marketing strategy. In the case of services, there are three additional elements. These elements are people, physical evidence and process. We shall now take up each of these elements for discussion.

3.6 PRODUCT

The most important issue in the service product is understanding what benefits and satisfaction the consumer is seeking from the service. From the view-point of a restaurant's manager, the restaurant simply provides food. But the customers coming to the restaurant may be seeking an 'outing', an atmosphere different from home, relaxation, entertainment or even status. The marketing of services can be a success only if there is a match between the service product from the consumer's view-point and the supplier's view-point. To find this match, as a manager you would have to analyse your service at the following levels:

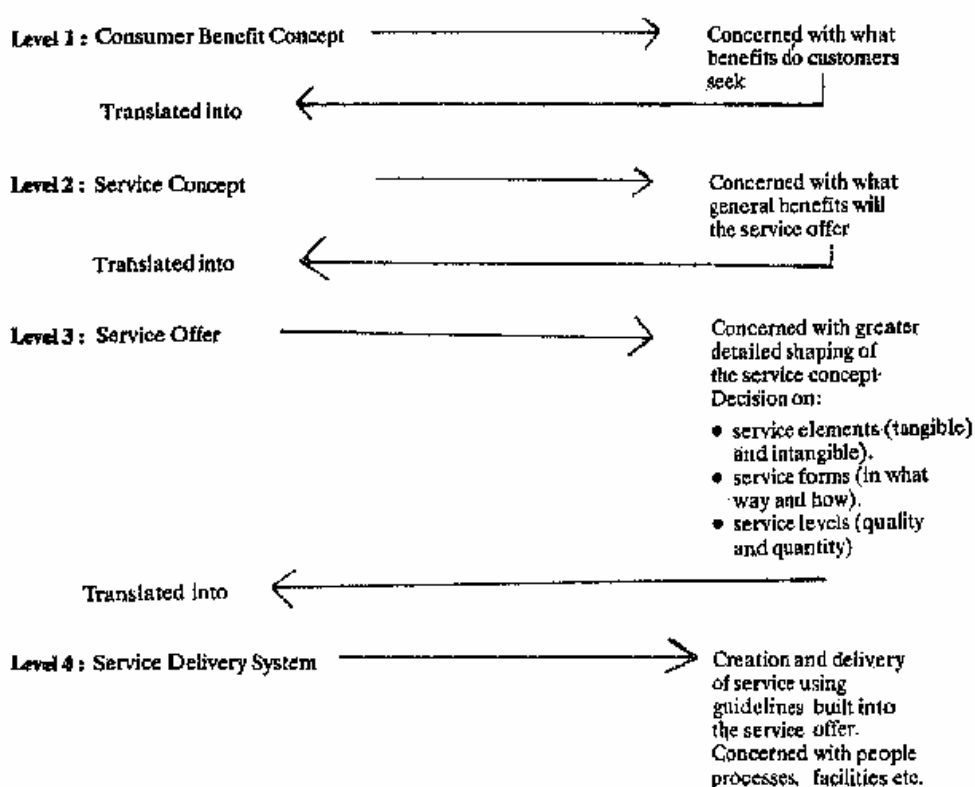
- i) the customer benefit concept;
 - ii) the service concept;
 - iii) the service offer; and
 - iv) the service delivery system.
- i) **Customer Benefit Concept:** The service product which you offer in the market place must have its origin in the benefits which the customers are seeking. But the problem is that customers themselves may not have a clear idea of what they are seeking or they may find it difficult to express or it may be a combination of several benefits and not a single one. Over a period of time, the benefits sought may also change. This change in customers may come about by a satisfactory or unhappy experience in utilising the service, through increased sophistication in service use and consumption, and changing expectations. All these make the issue of marketing a service product very complex.
 - ii) **Service Concept:** Using the customer benefits as the starting point, the service concept defines the specific benefits which the service offers. At the generic level the service concept refers to the basic service which is being offered. A centre for the performing arts may offer entertainment and recreation. But within this broad framework, there can be specific choice paths for satisfying the entertainment objective, such as, drama, musical concerts, mime, poetry recitation, dance etc. Defining the service concept helps answer the fundamental question, 'What business are we in?'
 - iii) **Service Offer:** Having defined the business in which you are operating, the next step is to give a specific shape and form to the basic service concept. To refer to the example of centre for the performing arts, the service concept is to provide entertainment. The service offer is concerned with the specific elements that will be used to provide entertainment: drama, music, mime, poetry recitation, dance. In the category of musical concerts the choice may be vocal or instrumental, within. vocal whether light or classical, Hindustani, Carnatic or Western. While these represent the intangible items of the service offer, the physical infrastructure of the



centre, in terms of its setting capacity, comfortable seats, quality and acoustics, provision of air-conditioning, snack bar and toilets are the tangible items. The tangible aspects can be controlled by offering the best possible benefit, but the quality and performance of the actors, singers, musicians cannot be controlled. Theoretically, a manager must control both the tangible and intangible components. But in practice, he can control only the tangible components and lay down norms for the intangible components (e.g. maximum duration of recital, brief introduction before each dance item, etc.)

- iv) **Service Forms:** In what form should the services be made available to the customers is another area of decision-making. Should all the shows of the centre be available in a package deal against a yearly membership fee or a seasonal ticket? Should there be daily tickets with the consumer having freedom to watch any one or more performances being staged on that particular day? Or should each performance have a separate entrance ticket, with a higher priced ticket for a well-known performer. Service form refers to the various options relating to each service element. The manner in which they are combined gives shape to the service form.
- v) **Service Delivery System:** When you go to your bank to withdraw money from your account, you either use a cheque or a withdrawal slip in which you fill all the particulars and hand it over to the clerk, who, after verifying the details, gives you money. The cheque or withdrawal slip and the clerk constitute the delivery system. In a restaurant, the waiters are the elements of the delivery system. The two main elements in a delivery system are the people and the physical evidence. The competence and public relations ability of a lawyer represent the 'people' component, while his office building, office door, letterhead, etc. are all elements of the 'physical evidence'. The physical evidence components have also been called 'facilitating goods' and 'support goods'. These are the tangible elements of the service and they exert an important influence on the quality of the service as perceived by the consumers. Figure II presents a graphical conceptualisation of the service product.

Figure II: Conceptualisation of the Service Product





As a manager marketing services, you would like to market not just one service but a range of services. You would need to take decisions on the length and width of the range of services, the manner in which they complement and support each other, and how well they face up to the competitor's offerings. Figure III illustrates the concept of range of services, using the example of a club.

The service or services which you offer must be targeted at a specific market segment. The target market segment must have a definite need for the service. In the illustration of the club in Figure III the recreation facilities for children would succeed only if the parents of the children perceive a definite advantage in the trade-off of money versus time. The parents must perceive it worthwhile to spend money on the children to keep them busy rather than spending their own time.

Figure III: Example of Range of Service Customer Groups

**Figure III: Example of Range of Service
Customer Groups**

	Children	Mixed Adults	Only Women or Men	Business groups
Range of Service	Swimming Lessons	Swimming Lessons	Beauty Parlour/ Massage facility	Conference Rooms
	Badminton Lessons	Badminton, Tennis Lessons	Yoga/Judo Lessons	Secretarial assistance
	Indoor games	Card Room	Tournaments	Video coverage
	Library	Billiards	Kitty Parties	
	Film shows	Facilities for Parties & receptions		

Exercise 4

Identify the controllable elements in the following service organisations:

- airlines
- a lawyers' firm
- a firm which undertakes contract for maintenance and repairs of air-conditioners and refrigerators.

Attempt to evolve procedures and standards for these controllable elements with the objective of improving the overall performance of the service.

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3.7 PRICING

In the case of products, the term 'price' is used for all kinds of goods, fruits, clothes, computers, building etc. but in the case of services, different terms are used for different services. Table 4 presents the term used for some selected services.



Table 4
Price Terminology for Selected Services

Terminology	Service
Admission	Theatre entry
Commission	Brokerage service
Fare	Transport
Fee	Legal service
Interest	Use of money
Premium	Insurance
Rent	Property usage
Salary	Employee services
Tariff	Utilities
Tuition	Education

Source: Donald Cowell, "The Marketing of Services" Heinemann, London.

In determining the prices of services, the one characteristic which has great impact is their perishability and the fact that fluctuations in demand cannot be met through inventory. Hotels and airlines offering lower rates in off-season and lower telephone charges for outstation calls after office hours are examples of how pricing strategy can be used to offset the perishable characteristic of services.

Another characteristic of services that creates problem in price determination is the high content of the intangible component. The higher the intangibility the more difficult it is to calculate cost and greater the tendency towards non-uniform services, such as fees of doctors, management consultants, lawyers. In such cases, the price may sometimes be settled through negotiation between the buyer and seller.

On the other hand, in services such as dry cleaning the tangible component is higher, and the service provided is homogeneous. It is easier to calculate cost on a unit basis and have a uniform pricing policy. In general, the more unique a service the greater the freedom to fix the price at any level. Often the price may be fixed according to the customer's ability to pay. In such cases price may be used as an indicator of quality.

The third characteristic to be kept in mind while determining prices is that in many services, the prices are subject to regulations, either by the government or by trade associations. Bank charges, electricity and water rates, fare for rail and air transport in India are controlled by the government. In many other cases, the trade or industry association may regulate prices in order to avoid undercutting and maintain quality standards. International air fares are regulated by international agreement of airlines, sea freight fares may be regulated by shipping conferences. In all such cases, the producer has no freedom to determine his own price.

The two methods which a service organisation may use to determine prices are cost-based pricing and market-oriented pricing. In the former, the price may be regulated by the government or industry association on the basis of the cost incurred by the most efficient unit. Such a pricing strategy is effective in restricting entry and aiming at minimum profit target. The market-oriented pricing may either be competition or customer-oriented. In case of competition-oriented pricing, the price may be fixed at the level which the competitor is charging, or fixed lower to increase market share. Customer-oriented pricing is varied according to customers' ability to pay.

The pricing tactics that may be used to sell services are:

- i) differential or flexible pricing;
 - ii) discount pricing;
 - iii) diversionary pricing;
 - iv) guaranteed pricing;
 - v) high price maintenance pricing;
 - vi) loss leader pricing; and
 - vii) offset pricing.
- i) Differential or flexible pricing** is used to reduce the 'perishability' characteristic of services and iron out the fluctuations in demand. Differential price implies changing different prices according to:
- a) customer's ability to pay differentials (as in professional services of management consultants, lawyers);



- b) price tune differentials (used in hotels, airlines, telephones where there is the concept of season and off-season and peak hours); and
 - c) place differential used in rent of property-theatre seat pricing (balcony tickets are more expensive than front row seats) houses in better located colonies command high rent.
- ii) **Discount pricing** refers to the practice of offering a commission or discount to intermediaries such as advertising agencies, stock brokers, property dealers for rendering a service. It may also be used as a promotional device to encourage use during low-demand time slots or to encourage customers to try a new service (such as an introductory discount).
 - iii) **Diversionsary pricing** refers to a low price which is quoted for a basic service to attract customers. A restaurant may offer a basic meal at a low price but one which includes no soft drink or sweet dish. Once the customer is attracted because of the initial low price he may be tempted to buy a drink or an ice-cream or an additional dish. Thus he may end up buying more than just the basic meal.
 - iv) **Guaranteed pricing** refers to pricing strategy in which payment is to be made only after the results are achieved. Employment agencies charge their fee only when a person actually gets a job, a property dealer charges his commission only after the deal is actually transacted.
 - v) **High price maintenance pricing** strategy is used when the high price is associated with the quality of the service. Many doctors, lawyers and other professionals follow this pricing strategy.
 - vi) **Loss leader pricing** is one in which an initial low price is charged in the hope of getting more business at subsequently better prices. The danger is that the initial low price may become the price for all times to come.
 - vii) **Offset pricing** is quite similar to diversionsary pricing in which a basic low price is quoted but the extra services are rather high priced. A gynaecologist may charge a low fee for the nine months of pregnancy through which she regularly checks her patient, but may charge extra for performing the acutal delivery and post-delivery visits.

3.8 PROMOTION

The fundamental difference which must be kept in mind while designing the promotion strategy for services is that the customer relies more on subjective impressions rather than concrete evidence. This is because of the inherent intangible nature of services. Secondly, the customer is likely to judge the quality of service on the basis of the performer rather than the actual service. Thirdly, since it is difficult to sample the service before paying for it, the customer finds it difficult to evaluate its quality and value. Thus, buying a service is a riskier proposition than buying a product. As a marketing manager you must design a promotion strategy which helps the customer overcome these constraints. The four methods used for promoting services, viz., advertising, personal selling, publicity and sales promotion, are the same as used in the promotion of products. We shall now discuss them in the context of services.

Advertising

Advertising is any kind of paid, non-personal method of promoting by an identified organisation or individual. Certain services such as entertainment (cinema, theatre), passenger and freight transport (roadways, airlines, trains), hotel, tourism and travel, insurance have been advertising heavily in newspapers magazines, radio, TV to promote greater usage and attract more customers. However, certain service professionals such as doctors and lawyers, have rarely used advertising as a means of increasing their clientele. A study conducted by J.R. Darling and D.W. Hackett in 1978 revealed that doctors, dentists, lawyers and accountants have a negative attitude towards advertising their services. These groups have traditionally relied on word-of-mouth for attracting new customers. But this situation is changing and you can



occasionally see an advertisement in the daily newspaper giving information about the location and timings that a particular doctor is available for consultation. These advertisements may also carry the message 'Honorary doctor to the President of India' or ex-director of a prestigious medical college or institution. Such messages help create positive image and credibility.

The guidelines which can be kept in mind while promoting services are as follows:

- i) use-simple, clear messages;
- ii) emphasise the benefits of service;
- iii) promise only that which can be delivered and do not exaggerate claims;
- iv) built on the word-of-mouth communication by using testimony of actual consumers in advertisements; and
- v) provide tangible clues to services by using well-known personalities or objects to help customers identify the service. This is being done by Indian Railways in their advertising on TV wherein they are using well-known sports personalities to talk about the importance of railways to the nations' economic development and protection of railway property.

One other aspect which is of importance in designing an appropriate advertising strategy is the high level of consumer-organisation interaction required in certain types of services (beauty saloons, management consultant, doctor). In these types of services, the objectives of advertising have been identified as:

- i) creating an understanding of the company in the customers' mind by describing the company's services, activities and its areas of expertise
- ii) creating a positive image for the company
- iii) building a strong sense of identification with the customer by tuning in onto his needs, values and attitudes
- iv) creating a positive background for the sales people to sell the services by providing all relevant information about the company.

Personal Selling: The problem with using personal selling to promote services is that in certain types of services, the service cannot be separated from the performer. Moreover, it is not a homogeneous service in which exact standards of performance can be specified. In such situations, personal selling implies using an actual professional rather than a salesman to sell the service. A firm of management consultants may send one of its consultants (junior or senior depending on the kind of customer being attended to) for soliciting new business.

This kind of personal selling is certainly effective but also very expensive. One way of making personal selling more cost effective is to create derived demand by tying up with associated products and services. A management consultant may associate with a bank, so that the bank recommends his (consultant) name to any new entrepreneur coming for a loan. A chain of hotels may team up with an airline to offer a concessional package tour (as has been successfully done for promoting Nepal, and is being done by Vayudoot and Indian Airlines and Jammu and Kashmir Tourism Department). The other way is to maintain a high visibility in professional and social organisations, getting involved in community affairs and cultivating other professionals so as to maximise personal exposure and the opportunities for getting work from new sources.

Publicity: Publicity is unpaid for exposure which is derived by getting coverage as a news or editorial item. It is possible to-get publicity when the service which you are offering is unique and, therefore, newsworthy, by holding a press conference in which you can associate your service with some issues of greater social relevance or by involving the interest of the newspaper or its staff in covering your service. The important point about publicity is that your choice of the newspaper, magazine and journal should be correct. The vehicle which you choose must be credible and enjoy a reputation of being trustworthy. Wrong choice of media vehicle will result in adverse publicity.

Sales Promotion

In the case of services, the sales promotion techniques which are used are varied and various in number. A doctor may charge lesser amount of fee on subsequent visits to encourage the patient's loyalty, paediatrician may send reminder cards to parents about their children's pending inoculations, a car mechanic may offer a guarantee for repairs undertaken up to three months, a chartered accountant may offer his services free for the first two visits to allow the customer to evaluate his work.



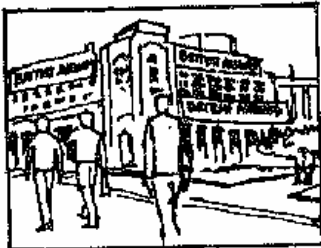
In services, sales promotion techniques are used to offset their perishability characteristic (family discounts offered by hotels in off-season in which two children under twelve are allowed free of charge) and to overcome the problem faced by customers in evaluating and judging the quality before making the purchase. Sales promotion techniques reduce the risk associated with the purchase.

3.9 DISTRIBUTION

The most important decision element in the distribution strategy relates to the issue of location of the service so as to attract the maximum number of consumers. The inseparability characteristic of services such as those of doctors, teachers, consultants, mechanics etc. poses a distribution constraint since they are able to serve only a limited, localised market. The other characteristic of services which affects the distribution strategy is the fixed location of services such as universities, restaurants, hospitals which necessitates the customer to go to the service location rather than vice-versa.

The first decisional variable in planning the distribution strategy relates to the location of the service. In deciding where to locate your service, you should raise the following questions as they would help you arrive at the right decision.

- i) How important is the location of the service to the customers? Will an inconvenient location lead to purchase being postponed or being taken over by a competitor? The answer is yes in case of services such as dry cleaning, fast food outlets where convenience is the most critical factor. The answer is no in case of services provided by doctors and beauty parlours, where the customers' involvement with the provider of the service is very high and the decision is made on the basis of reputation, competence and past experience.
- ii) Is the service, technology-based or people-based? How does the technology or people factor affect the choice of locations? How flexible is the service? Can the equipment and people be moved to another location without any loss in quality?
- iii) How important are complementary services to the location decision? Can the clientele be increased by locating services where complementary products or services already exist? Garages and mechanic shops located next to petrol stations are examples of complementary location decision.



Distributing a Service

The second decisional variable in the distribution strategy is whether to sell directly to the customers or through intermediaries. In case of services which are inseparable from the performer, direct sale is the only possible way of reaching the consumer. In case of other services such as hotels, airlines, property, life insurance, they may operate through middlemen. Table 5 provides an illustrative list of the intermediaries who sell services.

Table 5
Typical intermediaries for services

Services	Intermediaries
Hotels	Travel agents, tour operators, airlines
Airlines	Travel agents, hotels
Life Insurance	Agents
Shares	Stock brokers
Employment	Employment agencies
Financial Services	Banks, financial institutions
Products	Wholesalers, stockists, retailers

The third decisional variable in the distribution strategy is how to provide the service to maximum number of customers in the most cost-effective manner (if the service is not of the kind that is inseparable). Some of the recent innovations in the area are rental or leasing, franchising and service integration.

India has witnessed a boom in the leasing business since 1982. Leasing or rental offers an easy solution for companies which want to expand and diversify but do not have the



necessary resources to buy the required plant and machinery. Leasing offers them use of equipment, machines and building on the basis of a 'rental' rather than outright purchase. Leasing is also available for buying cars and other consumer durables. This trend is now also becoming popular in services. Today we have the concept of time-sharing for holiday resorts. By making a one-time payment or paying an annual rental you become eligible to use accommodation facilities for a holiday in the place of your choice. Some holiday resort companies offer you the facility forever while others offer it for a limited time duration. Sterling Resorts, MS Resorts, Punjab Tourism Resorts and Dalmia Resorts are some of the companies offering this service. The other recent trend in distribution of services is that of franchising. Franchising is the granting of right to another person or institution to exploit a trade name, trade mark, or product in return for a lump-sum payment or a royalty. Companies have paid to use 'Appu' the elephant which was used as the mascot for New Delhi Asian Games in 1982 to promote their products. This is an example of franchising in which companies have sought to increase their sales or enhance their image by associating with a well known international event or personality (Walt Disney Characters such as Mickey Mouse). The other variation of this kind of franchising is when companies pay for use of the phrase 'official suppliers'. Franchising is also widely used in services where some kind of homogeneity is possible as in the case of restaurants, beauty saloons, health clubs etc. Kwality (manufacturers of Kwality ice-creams and managers of chain restaurants) have established restaurants in major cities on the basis of franchise arrangements. International hotel chains such as Holiday Inn, Sheraton, Inter-Continental, have expanded world-wide using this franchising strategy.

Recent times have also witnessed the growth of integrated service system. Hotels may also offer local tours. This is being done by India Tourism Development Corporation (ITDC) which offers to its clients conducted tours to important tourist spots besides the hotel facility. This facility is offered under the name of Ashoka Travels and Tours. Hotel chains such as Taj, Oberoi, Welcom-group offer the facility of making reservations in any of their associate hotels in the chain. Travel agencies offer 'package tours' in which they take care of all formalities such as visa, foreign exchange, reservations, local travel etc. Many computer companies offer free training for the employees of their customers on how to operate the computer.

All these trends highlight the importance of using innovative methods to overcome the inherent characteristics of service products which make their distribution a complex affair.

3.10 PEOPLE

People constitute an important dimension in the management of services in their role both as performers of service and as customers. People as performers of service are important because, "A customer sees a company through its employees. The employees represent the first line of contact with the customer. They must, therefore, be well informed and provide the kind of service that wins customer approval. The firm must recognise that each employee is a salesman for the company's service". (E.M. Johnson, "An Introduction to the Problems of Service Marketing Management".) The importance of customers in services stems from the fact that most services imply active and involved customer-organisation interface.

Service Personnel: Service Personnel are important in all organisations but more so in an organisation involved in providing services. The behaviour and attitude of the personnel providing the service is an important influence on the customers' overall perception of the service and he can rarely distinguish between the actual service rendered and the human element involved in it. How often have you had the experience of holding onto a telephone receiver after dialing for Assistance or Trunk Booking and receiving no response? What do you think has been the role and contribution of the telephone operators towards giving our telephone system the image which it has today? The case of telephone operators is still controllable because the telephone system presents a low contact organisation. Higher or low contact is defined on the basis of percentage of total time the customer has to spend in the system compared with the relative time it takes to service him. By this definition, restaurants, hospitals, schools represents a low contact organisation. High or low contact is defined on the basis of



People Behind a Service



organisations. The other- important distinction of service personnel is between those that are visible to the customer and those that are not. In a restaurant the waiters are visible while the cook in the kitchen is not. As a marketing manager you have to devote more time training the visible personnel, since they have greater responsibility in maintaining relations with the customer. The rice dish which is not cooked properly is the cook's fault but it is the waiter who will have to bear the brunt of the customers' anger. The manner in which the waiter behaves with the customer will be an important determinant in the restaurant losing that customer forever or retaining him as a regular client.

As a marketing manager your primary concern is the visible service personnel and especially so if yours is a high contact organisation. You have to be concerned with ways in which you can improve the quality and performance of your service personnel. This can be done through:

- i) careful selection and training of personnel;
- ii) laying down norms, rules and procedures to ensure consistent behaviour;
- iii) ensuring consistent appearance; and
- iv) reducing the importance of personal contact by introducing automation and computerisation wherever possible.

Customers: Customers are important because they are a source of influencing other customers. In the case of doctors, lawyers, consultants one satisfied customer will lead to a chain reaction bringing in his wake a number of other customers. Thus as a marketing manager, your first task should be to ensure complete satisfaction of the existing customers.

The kind of customers that you attract exerts an important influence on prospective customers. The prospective customer may feel attractive towards the organisation (it may be a restaurant, club, school, college) because it has his 'type' of customers or it has the customer clientele towards which he himself is aspiring. On the other hand, the customer may turn away if he perceives the existing customers to be the kind with whom he would not like to be associated. You have to decide about the class of customers you would like to have and work towards providing your service organisation an image which will fetch you your future customers. The physical appearance of your organisation, the looks and behaviour of service personnel, the delivery of the service have all to be tuned into a desirable composite package.

3.11 PHYSICAL EVIDENCE

Cleanliness in doctor's clinic, exterior appearance and interior decor of restaurant, the comfort of the seating arrangement in a cinema hall, adequate facility for personal needs at the airport all contribute towards the image of the service (organisation) as perceived by the customer. The common element in these is that they are all physical, tangible and controllable aspects of a service organisation. They constitute the physical evidence of the service. There may be two kinds of physical evidence:

- i) peripheral evidence; and
- ii) essential evidence,

Peripheral evidence is actually possessed as a part of the purchase of service but by itself is of no value. Airline ticket, cheque book, receipt for a confirmed reservation in a hotel are examples of peripheral evidence. A cheque book is of value only if you have money in the bank-without that it is of no significance. Peripheral evidence adds on' to the - value of essential evidence. In a hotel you may find matchbox, writing pad, pen, complimentary flowers and drinks, which you may take away. These are representations of peripheral evidence. Such evidence must be designed keeping in mind the overall image which the organisation wishes to project and the reminder value of the evidence in its ability to remind the customer about the organisation.

Whereas peripheral evidence is possessed and taken away by the customer the essential evidence cannot be possessed by the customer; the building, its size and design, interior Layout and decor, logo and mnemonic device of the organisations are constituents of the essential evidence. The essential evidence is a very critical input in determining the atmosphere and environment of the service organisation. Contrast the essential



evidence of a Five-star hotel (its long driveway, grand entrance manned by a liveried doorman, sophisticated decor of lobby) with that of a fast food outlet (with bright colours, loud music, bright lights) and judge the kind of rich and formal atmosphere of the former with the relaxed and casual atmosphere of the latter. You can use physical evidence to build a strong association in the customers' minds and also to differentiate your service from the competition. As a marketing manager it is your responsibility to manage the physical evidence in order to create the ideal environment for your service. You can do this in two ways: one by making the service more tangible, and two, by making it easier for the customer to grasp the concept of the service.

One obvious way of making the service more tangible is by developing a tangible representation of the service as is done in case of credit cards. Credit cards have a physical entity and are identifiable by their brand name (American Express, Diners, Visa, BOB, i.e., Bank of Baroda) and distinct looks of the card. Other ways by which a service can be made more tangible is by standardising the physical attributes such as location, interior decor, colour scheme etc. Most airlines use a dress for all their staff to help create a sense of identification. Kwality ice-cream vendors and the packaging container for ice-creams have a standardised design of blue stripes on a white background. Similarly, Indian Airline's white and orange colour combination is well recognised:

The second way is to make it easier for the consumer to understand the concept of the service which you are offering with easily perceived objects and ideas. Promoters of package tours may provide detailed information about the hotel, food and transport facility they would be using to help the consumers understand the concrete dimensions of the tour and thus reduce their anxiety arising out of uncertainty. Information which helps reduce uncertainty and provides specific information about the various dimensions of the service should be provided to prospective consumers.

As a marketing manager you can help the consumers to understand the service you are offering by stressing the organisation and consumer relationship. Advertising agencies assign one accounts executive or a team to a particular client to help him identify with the agency.

Exercise 5

Describe the components of physical evidence in case of railways and banks. Also describe the role of service personnel in these organisations. How can customers influence other customers in these service organisation?

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3.12 PROCESS

In service organisation the system by which you receive delivery of the service constitutes the process. In fast food outlets the process comprises buying the coupons at one counter and picking up the food against that at another counter.

The process of delivery function can be compared with that of operation management in a manufacturing unit. In a factory situation operations management implies the conversion of input into the finished product, But in a service organisation there is no clear cut input or output. Rather it is the process of adding 'value' or 'utility' to system inputs to create outputs which are useful for the customers.

Services can be described on the basis of type of process used in the delivery of the service. The three kinds of delivery processes that are applicable in case of service products are line operations, job shop operations and intermittent operations. Self-service restaurants and shops are examples of line operations. The consumer moves through logically arranged operations which are arranged in a sequence. In a self-service departmental store, the consumer starts picking up the items he needs and pays for them near the exit. This kind of delivery process is relevant when the service you are providing is fairly standard and the consumers' requirement is of a routine nature.

When the consumers require a combination of services using different sequences, the job shop type of operation is more useful. Hospitals, restaurants and educational institutions usually have this type of delivery process. In a hospital, some patients need only consultation in the Out Patient Department, some others may need consultation at well as medication or X-ray, some patients require hospitalisation for surgery, medication or investigations. All these categories of consumers require a different combination of the hospital's services. In a restaurant consumers order their own combination of dishes. A college may offer courses for full-time students, as well as for working people through correspondence.

Intermittent operations are useful when the type of service is rarely repeated. Firms offering consultancy for projects use this kind of delivery system. Advertising agencies also use the intermittent delivery system since each advertising campaign requires a unique set of input factors.

As a manager you are interested in optimising the efficiency of your organisation without sacrificing the qualitative aspect. Some of the critical questions you need to focus upon are:

1. What are the specific steps involved in delivering the service to the consumer?
2. Are they arranged in the most logical sequence?
3. If not, can some steps be eliminated, combined or rearranged to form a smoother sequence?
4. What are the steps in which the consumer is involved?
5. Can the consumers' contact be reduced or totally eliminated?
6. Can we introduce automation to speed up the delivery process?

3.13 SUMMARY

Services can be distinguished from products on the basis of their characteristics of intangibility, inseparability, heterogeneity, lack of ownership and perishability. These characteristics pose a challenge to the marketing manager who has to find solution to constraints imposed by these features.

The marketing of services requires an extended marketing mix comprising production pricing, promotion and distribution as well as people, physical evidence and process. The marketer has to lay great stress on the last three elements of the marketing strategy and combine them with the first four to achieve a harmonious blend which fulfils the customers want-satisfaction.



3.14 KEY WORDS

Intangible: That which cannot be seen, touched, smelt or tasted but can only be perceived.

Perishable: If not used or consumed will be lost forever. Cannot be stored.

Inseparable: Cannot be separated from the person responsible for providing the service.

Loss leader pricing: Initial low pricing to attract more customers/repeated usage or consumption at subsequently higher prices.

Physical evidence: Building, decor, lighting, logo, letterhead, labels, design of product, physical representative (credit card, life insurance, policy document) which contributes to the 'looks' and 'atmosphere' of the service organisation.

3.15 FURTHER READINGS

V.S.Ramaswamy & S. Nama Kumar, 2002 *Marketing Management planning, implementation & Control*, 3rd edition, Macmillan India Ltd., New Delhi

Steve Baron 1995, *Services Marketing*, Macmillian India Ltd. New Delhi