Services Marketing

A MAJOR Factor
- Huge part of the economy in dollars and in jobs
-- Over $5.5 Trillion and 116 million jobs!
Increase in Services Influenced by:

- Organizations’ focus on productivity and profits
- Consumers’ poverty of time
  - Personal Shoppers
  - Take out food
  - House and lawn care

Affecting virtually all industries:

- Location--ATMs, branch outlets, branch warehouses, JIT delivery
- Longer Business Hours
- Better trained sales and service people
- One-stop shopping

Affecting virtually all industries:

- Improved customer service systems (personal, phone, on-line)
- More information available--before, during, and after the sale
- ADDS VALUE beyond issues of price and product quality
SERVICES Defined

- Services are the intangible activities or benefits that an organization provides to consumers in exchange for money or something else of value.

THE UNIQUENESS OF SERVICES
THE FOUR I’S OF SERVICES

- Intangibility
- Inconsistency (Variability)
- Inseparability
- Perishability/Inventory

Services vs. Goods

<table>
<thead>
<tr>
<th>CHARACTERISTIC</th>
<th>MIX IMPLICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangibility</td>
<td>Services cannot be seen, touched, tasted, felt, etc. SO it is harder to communicate service features and quality. Communications must make these tangible by relating to familiar situations; also setting price can be hard.</td>
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</tbody>
</table>
Services vs. Goods

**CHARACTERISTIC**

Variability

**MIX IMPLICATION**

Lack of standardization; inconsistent delivery and quality depending on the person performing. Minimize by employee selection, training, and service performance standards.

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Inseparability

Simultaneous production and consumption means consumers are a part of the service process; must manage the interaction for customer satisfaction; educate consumers about the service process and their role in it.

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Perishability

Services cannot be inventoried, so it is hard to balance capacity and demand; cannot return service for credit or exchange; need to manage demand in peak periods; use capacity in off-periods.
Levels of Service

Core/Primary Services
– The major activity of a business (or nonprofit organization).
  • Investment Services provide the use of a brokerage account to buy and sell stocks

Levels of Service

Ancillary Services
– Expected or optional supplements to the primary purchase.
  • Supermarket carryout
  • Convenient free parking

Levels of Service

Ancillary Services expected in B2B marketing
– Prompt delivery
– Favorable credit terms
– Responsive (24x7?) customer service
The Inventory carrying costs of services depend on the cost of Employees and Equipment

Service as Value
Consumers & Organizational Buyers want:
  – Quality products
  – Right price
  – Qualified Sales/Service personnel
  – Maximum benefits
  – Minimum effort
They demand VALUE!

VALUE...
…an intangible concept often defined in terms of
  ➢ exceptional customer service
  ➢ exceptional product quality
  ➢ value-based prices
Competitive Positioning

➢ Service Image is conveyed by the firm’s “service products.”
   – The dimensions used should be those valued by the customers.

Service Leadership or Follow the Leader?

➢ Will you set the service standard or wait for competitors to set the standard and then follow their lead?
   – Who is more innovative in their services? Apple or Microsoft?

Benefits of Exceptional Customer Service

Exceptional Customer Service can
   Differentiate you from Competitors
➢ Services attract & keep customers
➢ Services and recover lost sales
➢ Service quality is related to customer satisfaction
Benefits of Exceptional Customer Service

- Customer Service usually leads to a profitable ROI in the long term

How do Consumers Evaluate Services?

- Search Properties
  - What consumers can judge prior to the purchase
    - Price, location, appearance of physical facilities, paperwork, interactions with the service provider’s staff

How do Consumers Evaluate Services?

- Experience Properties
  - Attributes discernable only during or after the service experience
    - Physical comfort; staff concern
How do Consumers Evaluate Services?

✦ Credence Properties
  – Attributes inferred from a subjective evaluation of the entire process.

Consumers use search, experience, and credence properties to evaluate services

The Service Design Process

✦ Customer Targets
  – What do they want?

✦ Nature of the Service
  – Complex (medicine, investments) = substantial support services and highly qualified customer contact people
The Service Design Process
– Less Complex (automated service, e.g. ATMs) = substantial “up front” design efforts.

The Service Design Process
➢ Pricing?
   – Who is the target?
   – How much and how often do they buy?
   – What is the type of service?
   – Can a fee be “justified?”

The Service Design Process
➢ Pricing--Costs
   – Wages
   – Physical facilities
   – Technology & Equipment
   – Honoring warranties and guarantees
The Service Design Process

- **Degree of Complexity/Uncertainty**
  - When complex, customers may need extensive sales assistance, demonstrations, service guarantees, after sale assistance, pre-purchase information

- **Marketer’s Resources**
  - Smaller marketers may need to outsource some customer services to save costs (pros and cons to this).
  - When to use customer service outsourcing:
    - Significant growth
    - Save money
    - Testing and learning
    - Variable volume
    - Business model shifts

- **Number of Services**
  - Focus on services which make a difference in consumers’ purchase decisions
  - Remember, customers may be willing to pay some or all of the cost of desired services
The Service Design Process

- Level of Service
  - Full service to self-serve?
    - What does your market/target customer call for?
    - What can you support?

Service Delivery

- Top-management commitment
- Treat EMPLOYEES as Internal Customers
- View Service as a “Performance”
- Ensure Service Recovery
  - When errors occur---fix ‘em!

Successful Service Recovery

- Know the costs of losing a customer
  - For every customer who bothers to complain, there are 26 others who remain silent.
  - The average “wronged” customer will tell 8 to 16 people.
  - 91% of unhappy customers will never purchase services from you again.
  - It costs about five times as much to attract a new customer as it costs to keep an old one.
  - Each one of your customers has a circle of influence of 250 people or potential customers who hear bad things about you!

http://www.businesscoach.com/go/bc/handouts/the_high_cost_of_losing_a_customer/index.cfm
Successful Service Recovery

- Know the costs of losing a customer
  - Two Outback Steakhouse EX-customers have not been back since a server and a manager argued with them very publically about how a steak was cooked!!

Successful Service Recovery

- Listen to the customer--get them to talk
- Anticipate potential failures
- Act fast
- Train employees
- Empower the front line
- Close the Loop--get back to the customer

Going Global?
Decision 1: Do We Get Involved?

ENCOURAGING FACTORS
• Saturated domestic market
• Domestic market regards products as obsolete
• Domestic govt. or environment becomes anti-business
• Foreign market opportunities
• Foreign production opportunities
• Formation of economic communities

Decision 1: Do We Get Involved?

DISCOURAGING FACTORS
• Tariffs
• Import quotas
• Restrictive controls
• Political unrest
• Inflation
• Exchange rates

European Union countries—Eliminated trade barriers, differing tax laws, conflicting product standards, and other restrictions

27 member states
Sixteen member states have adopted a common currency, the euro.
Which International Markets?

1. Select targets, choose strategy; estimate potential and ability to reach target

Which International Markets?

2. Criteria to consider
   - Market size, growth
   - Competitive activity
   - Costs of entry
   - Stage of economic development
   - Degree of political stability
   - Compatibility of marketing systems
   - Political regulations
   - Cultural compatibility

Cultural Environment

<table>
<thead>
<tr>
<th>Social Institutions</th>
<th>VALUES</th>
<th>NORMS</th>
<th>ROLES</th>
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<tbody>
<tr>
<td>Family</td>
<td>Language, Gestures, Symbols</td>
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<td>Education</td>
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<td>Legal</td>
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AND their INFLUENCE on the MARKETING MIX!!
Political Environment

- Attitude of the government toward international trade
  - U.S. auto manufacturers cannot build plants in Japan

Political Environment

- Pace of political change
  - P&G's total ownership under Czechoslovakia's privatization program provided opening to Eastern Europe

Political Environment

- Laws and policies
  - Venezuela requires 80% local for joint ventures
  - Dumping is often illegal
- Degree of political stability
  - McDonald's and Citibank were dynamited in El Salvador
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undeveloped Country</td>
<td>Low standard of living</td>
<td>Sri Lanka</td>
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<tr>
<td></td>
<td>Agrarian based</td>
<td>Nepal</td>
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<tr>
<td>Less-developed Country</td>
<td>Small, low-technology companies developing</td>
<td>Mexico</td>
</tr>
<tr>
<td>Developing Country</td>
<td>Resource specialization</td>
<td>Israel</td>
</tr>
<tr>
<td></td>
<td>industry growth</td>
<td></td>
</tr>
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<td></td>
<td>middle class</td>
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</tr>
<tr>
<td></td>
<td>export and import</td>
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**Decision 3: How much Commitment**

- Exporting
  - Indirect
  - Direct
- Joint Venturing
  - Licensing/Franchising
  - Contractual Agreements
  - Joint Ownership
- Direct Investment
Decision 4: How To Organize?

Export Department:
- Direct
- Indirect

International Department:
- licensing or marketing;
- further organized geographically
- Multinational Company avoids ethnocentrism and near-sighted geographic boundaries

Decision 5: How Much Change?

Globalization Strategy
- Standardized marketing strategy
  - Assumes similarity of customer behavior around the world

Customization Strategy
- Adapted marketing strategy
  - A global corporate strategy with tactical adjustments for local conditions

The Colonel goes to Japan:
An example using a framework for cultural analysis:

- Price
- Promotion
- Product
- Place

Distributive
- Age distribution
- Income levels
- Education
- Geographic

Organizational
- Religion
- Family
- Government

Normative
- Attitudes
- Norms of Behavior
- Tastes