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Services Marketing M.COM. : Unit 1

Services marketing refers to the process of promoting and selling intangible services offered by companies or individuals to consumers or other businesses. Unlike tangible products, services are intangible and are often experienced or consumed at the same time they are produced or delivered. Therefore, marketing services require unique strategies to effectively communicate their value and attract customers.

Services:-

Services refer to intangible products or activities that are provided by one party to another in exchange for payment. Unlike tangible goods, which are physical and can be touched or held, services are primarily experiences or performances that are consumed at the time they are produced.

Definition of Services Marketing:-

Services marketing is the process of promoting and selling services instead of physical products. It involves strategies to attract customers, communicate the benefits of services, and ensure customer satisfaction. Since services are intangible, marketing focuses on creating positive experiences and building trust with customers.

1. **Philip Kotler:** "Services marketing is the promotion and sale of intangible services, focusing on sectors such as banking, insurance, travel, and telecommunications."
2. **Christopher Lovelock and Jochen Wirtz:** "Services marketing involves promoting, selling, and delivering services, recognizing their unique characteristics like intangibility and variability."
3. **Valarie Zeithaml, Mary Jo Bitner, and Dwayne Gremler:** "Services marketing entails understanding and delivering services that meet or surpass customer expectations, emphasizing customer experience and quality."

Nature/Characteristics of Services Marketing:-

1. Intangibility:

Services are intangible, meaning they cannot be touched, seen, or felt before they are experienced. This makes it challenging to convey their value to customers through traditional marketing methods.

2. Inseparability:

Services are often produced and consumed simultaneously, with the customer being actively involved in the service delivery process. This requires a high level of interaction between service providers and customers.

3. Perishability:

Services are perishable and cannot be stored or inventoried like physical products. This leads to fluctuations in demand and supply, requiring effective capacity management strategies.

4. Heterogeneity:

Services are highly variable and may differ in quality depending on factors such as the skills of service providers, customer preferences, and environmental factors.

5. Lack of Ownership:

Unlike physical products, customers do not own services; they merely experience them. This affects customer perceptions of value and influences their purchasing decisions.

6. Customer Involvement:

Customers play an active role in the service delivery process and may have unique preferences, expectations, and experiences. Therefore, customer involvement is crucial in services marketing.

7. Time Sensitivity:

Services are often time-sensitive, with customers expecting prompt delivery and responsiveness. This requires service providers to be agile and efficient in meeting customer needs.

8. Relationship Focus:

Services marketing emphasizes building long-term relationships with customers based on trust, loyalty, and mutual value creation. This requires a customer-centric approach and personalized communication strategies.

9. Quality of Service:

Service quality is paramount in services marketing, as it directly impacts customer satisfaction and loyalty. Marketers must focus on consistently delivering high-quality service experiences to meet or exceed customer expectations.

10. Service Recovery:

Despite efforts to deliver quality services, service failures and customer complaints may occur. Effective services marketing involves implementing service recovery strategies to resolve issues promptly and restore customer satisfaction.

Emergence of Services Marketing:-

The emergence of services marketing as a distinct field can be attributed to several factors:

1. Shift from Industrial to Service Economy:

With the transition from industrial-based economies to service-based economies, the importance of services as a significant contributor to GDP and employment grew substantially. This shift necessitated a specialized approach to marketing services due to their unique characteristics and challenges.

2. Recognition of Intangibility:

Unlike tangible products, services are intangible and cannot be seen, touched, or felt before consumption. This characteristic posed challenges for traditional marketing approaches focused on tangible goods, leading to the recognition of the need for specialized strategies to market services effectively.

3. Understanding Customer Experience:

Services marketing emphasizes the importance of customer experience in driving satisfaction, loyalty, and repeat business. This recognition of the significance of customer perceptions and interactions led to the development of customer-centric marketing approaches tailored to the unique aspects of services.

4. Rise of Relationship Marketing:

Services marketing places a strong emphasis on building long-term relationships with customers based on trust, mutual value creation, and personalized interactions. This shift towards relationship marketing strategies stemmed from the recognition of the role of customer loyalty and retention in sustaining business success in service industries.

5. Advancements in Technology and Communication:

The advent of digital technologies and communication channels revolutionized how services are marketed and delivered. Digital platforms enabled service providers to engage with customers in real-time, personalize marketing messages, and facilitate seamless interactions across multiple touchpoints.

6. Focus on Service Quality and Differentiation:

Services marketing emphasizes the importance of delivering high-quality services that meet or exceed customer expectations. This focus on service quality and differentiation became crucial in competitive service industries where customers have numerous options and alternatives to choose from.

7. Globalization and Market Competition:

Globalization led to increased market competition, forcing service providers to differentiate themselves and offer unique value propositions to attract and retain customers. Services marketing strategies evolved to address the challenges of operating in diverse and competitive market environments.

Importance of Services Marketing:-

Services marketing is of paramount importance for several reasons:

1. Differentiation:

In highly competitive markets, services marketing helps organizations differentiate themselves from competitors by highlighting unique features, benefits, and value propositions. Effective marketing strategies can position a service provider as distinctive and preferable in the eyes of consumers.

2. Customer Satisfaction and Loyalty:

Services marketing plays a crucial role in enhancing customer satisfaction and fostering loyalty. By understanding and meeting customer needs, expectations, and preferences, service providers can build strong relationships with customers, leading to repeat business, positive word-of-mouth referrals, and long-term loyalty.

3. Revenue Generation:

Effective services marketing strategies drive revenue growth by attracting new customers, retaining existing ones, and maximizing the lifetime value of customers. By promoting services effectively and delivering exceptional customer experiences, organizations can increase sales and profitability.

4. Market Expansion:

Services marketing enables organizations to expand into new markets and reach untapped customer segments. Through targeted marketing efforts, service providers can identify and capitalize on opportunities for growth, diversification, and market penetration.

5. Brand Building:

Services marketing contributes to brand building and reputation management, shaping how customers perceive and interact with a service provider. By consistently delivering high-quality services and positive customer experiences, organizations can strengthen their brand equity and enhance their market position.

Challenges of Services Marketing:-

- Unlike products, services can't be seen, touched, or tasted before purchase. This makes it harder for customers to evaluate the value and differentiate between service providers.
- Production and consumption of services often happen simultaneously, with the customer directly involved. This means service quality depends heavily on the interaction between provider and customer, adding a layer of complexity to managing consistency.
- Unlike standardized products, service quality can vary depending on the provider, personnel involved, and even the specific time and location. Maintaining consistent quality across interactions adds an extra challenge.
- Services can't be stored or inventoried like physical products. This means unused capacity might be lost, while responding to surges in demand can be difficult.
- Determining the right price for a service can be tricky, as there's no tangible reference point for value. Justifying prices and overcoming price sensitivity can be difficult.
- Customer experiences play a crucial role in service marketing. Negative experiences can spread quickly, damaging reputation, while positive experiences need to be actively encouraged and amplified.

Services Classification:-

Classification	Examples
By Nature of Offering	
Tangible Services	Transportation services, healthcare services, maintenance services
Intangible Services	Consulting services, education services, entertainment services
By Customer Relationship	
Business-to-Consumer (B2C) Services	Retail services, hospitality services, personal grooming services
Business-to-Business (B2B) Services	Consulting services, outsourcing services, logistics services
By Industry	
Financial Services	Banking services, investment services, insurance services
Healthcare Services	Medical services, dental services, pharmaceutical services
Hospitality Services	Hotel services, restaurant services, tourism services
By Service Process	
Professional Services	Legal services, accounting services, engineering services
Technical Services	IT services, engineering services, repair services
Customer Services	Customer support services, concierge services, helpline services

#Services Classification:-

Marketing Framework for Services Business:-

Choosing the right marketing framework for your service business depends on your specific goals and priorities. However, here are two popular frameworks that can be adapted for a range of service businesses:

1. Services Marketing Triangle:

This framework emphasizes the **three core elements** of successful service marketing:

- **Product:** This encompasses both the core service itself and the supporting elements like service environment, personnel, and processes. Define your service uniquely and highlight its benefits compared to competitors.
- **Customer:** Deeply understand your target audience, their needs, expectations, and decision-making process. Tailor your marketing messages and channels to resonate with them.
- **Distribution:** Determine how you'll reach your target audience and deliver your service effectively. This can involve physical locations, online platforms, partnerships, or other channels.

2. 7Ps of Services Marketing:

This framework expands on the traditional marketing mix (4Ps) by adding three additional elements relevant to services:

- **People:** Your employees play a crucial role in service delivery. Invest in training, empowerment, and motivation to ensure they consistently deliver a positive experience.
- **Process:** Define clear and efficient processes for service delivery. This ensures consistency, reduces errors, and improves customer satisfaction.
- **Physical Evidence:** While services are intangible, tangible elements like your website, service environment, and marketing materials create a perception of quality and value.

Adapting the Frameworks:

Here are some additional tips for adapting these frameworks to your specific service business:

- **Set SMART goals:** Clearly define what you want to achieve with your marketing efforts.
- **Identify your unique value proposition (UVP):** What makes your service stand out from the competition?
- **Segment your target audience:** Divide your potential customers into groups with similar needs and tailor your marketing accordingly.
- **Choose the right marketing channels:** Where are your target customers most likely to engage with your brand?
- **Develop a strong brand identity:** Create a memorable and consistent brand image that reflects your service's values and personality.

- **Track and measure results:** Regularly evaluate your marketing efforts and make adjustments based on data and feedback.

Services and Consumer Behaviour:-

Consumer behavior plays a significant role in the marketing of services due to the unique characteristics of services and the involvement of consumers in the service delivery process. Here's how consumer behavior influences services marketing:

1. Perception of Quality:

Consumers evaluate service quality based on their perceptions and experiences. Positive experiences lead to satisfied customers, while negative experiences can result in dissatisfaction and loss of trust. Therefore, understanding consumer perceptions and managing service delivery accordingly is crucial for maintaining high levels of customer satisfaction.

2. Involvement in Service Delivery:

Consumers are actively involved in the service delivery process, especially in industries such as healthcare, hospitality, and personal services. Their interactions with service providers, as well as the quality of service received, significantly impact their overall satisfaction and loyalty. Marketers must focus on creating positive customer experiences at every touchpoint to enhance satisfaction and retention.

3. Word-of-Mouth and Referrals:

Consumers often rely on word-of-mouth recommendations and referrals when choosing service providers. Positive experiences lead to favorable word-of-mouth, which can attract new customers and build trust in the brand. Conversely, negative experiences can lead to negative word-of-mouth and damage the reputation of the service provider. Therefore, delivering exceptional service experiences is essential for generating positive word-of-mouth and referrals.

4. Perceived Risk:

Consumers perceive varying levels of risk when purchasing services, especially those that involve significant financial investment or personal consequences. Marketers must address consumers' concerns by providing assurances of quality, reliability, and value. Offering guarantees, testimonials, and free trials can help mitigate perceived risk and encourage consumers to try the service.