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| **MR2100 - Marketing II**  **Paul Tilley**  **Chapter 12 - Services Marketing** | |
|  | **Learning Objectives:** |
|  | *Upon completion of this chapter you should be able to:*   1. Describe the unique elements of service products. 2. Discuss why there are few ‘pure’ services or ‘pure’ products. 3. Classify Service delivers 4. Evaluate intangible services 5. Perform a customer contact audit 6. Describe and Manage the key aspects of services 7. Understand the ways in which consumers purchase and evaluate services. 8. Discuss the services of the future |
|  | **Overview of this Unit** |
|  | There are many services available to consumers everyday: restaurants, activities such as skiing, insurance, bookkeeping, etc.  These services need to be marketed just like any other product. This unit looks at how to market services and how consumers purchase such services. |
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| **Why are Services Different?** |
| https://d2l.cna.nl.ca/content/W09/MR2100_W09/images/forks.jpg  **Why are Services Different?**  Services are different than other "products" because they are ***intangible***.  ***Intangibility*** means that these services have no physical presence and therefore cannot be touched.  **Why are Services So Important?**  The provision of Services makes up about 60% of all products purchased in the Canadian economy.  In Newfoundland, the service sector is even more important with about 70% of all production coming from the service sector.  Not only do services make up a large proportion of the economy but they also are becoming increasingly important in this information age.   |  |  | | --- | --- | | Weblinks | Four Factors that Distinguish Services Marketing:  <http://www.marketingprofs.com/6/coldren2.asp> | |

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| **The Four I's of Service** |
| The text identifies four unique elements of all services:   |  |  |  |  | | --- | --- | --- | --- | | One | ***Intangibility***   |  |  | | --- | --- | | Services cannot be touched or seen (therefore evaluated) before the purchase decision. | Insurance | | | Two | ***Inconsistency***   |  |  | | --- | --- | | Because services are intangible and are provided by a wide diversity of people, it is hard to maintain consistency in the level of service that is being provided.  Service organizations try to get around this problem by training employees, standardizing procedures and mechanizing where possible. | Coffee | | | Three | ***Inseparability***   |  |  | | --- | --- | | Services cannot be broken down into subparts. The service cannot be separated from the deliverer or delivery mechanism. | Mechanic | | | Four | ***Inventory***   |  |  | | --- | --- | | You strictly cannot store services.  They must be provided in conjunction with the demand. Sometimes you may have excess delivery capacity for the demand resulting in idle production capacity, other times the demand may outstrip the delivery capability. | UPC | | |
| **Service or Good?** |
| **Is it a Service or a Good being provided?**  The provision of services is often mixed with the provision of a good - such as in going to McDonald's.  There is the intangible service but there is also the tangible meal.  This reality is reflected in the *Service Continuum* chart which demonstrates the reality that there are in fact very few pure services or pure goods.  Service Continuum |

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| **Classifying Service Deliverers** |
| **How Can Service Deliverers be Classified?**  Service deliverers fall into 1 or more of the following categories:   1. Those provided by people or by equipment. 2. Those provided by for-profit or by not-for-profit organizations. 3. Those provided by government and quasi-government agencies or private organizations. |

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| **Evaluating Intangible Services** |
| **How do Consumers Attempt to Evaluate Intangible Services?**  Without being able to evaluate services using traditional methods used for goods, consumers are forced to evaluate services based on the following:   |  |  | | --- | --- | | ***Experience Qualities*** | This is only really determined after trying the service. Based on the initial experience, a consumer decides on whether or not to purchase the service again. | | ***Credence Qualities*** | Credence is reputation. If a doctor has a good reputation, for example, people who have never seen him/her before may be more willing to go see him/her. |   **Purchasing a Service**  It is often more difficult for consumers to evaluate services before they purchase. Tangible goods such as clothes and jewelry have *search* qualities such as colour, size, and style. Services are rarely tried on before hand. Services such as restaurants and insurance have *experience* qualities whereby they are evaluated after purchase or service or may be evaluated based on recommendations from a social network. Other services such as medical and legal services have *credence* qualities that the consumer may not be able to evaluate.  Graph  **You Have Purchased the Service, So How Do You Feel Now?**  In order to measure people's satisfaction with the service that was provided, a form of post-purchase evaluation known as ***Gap Analysis*** is used.  ***Gap Analysis*** measures the difference between people's expectations before receiving the service and their level of satisfaction after receiving the service - the larger the gap, the less satisfaction. |

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| **Customer Contact Audit** |
| The ***Customer Contact Audit*** is a flow chart that outlines the process involved in buying a service and identifies the key contact points between the consumer and the service provider.  The Contact points represent places that the service provider must focus their training and standardization efforts.  Below is a Flow chart or Customer Contact Audit for making reservations and eating at a restaurant.  The Blue shaded areas indicate the customer activity  Chart |

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| **Managing the P's in the Service Environment** |
| **Product (Service) Concerns**  Unlike a product, you cannot legally protect a service with a patent. So, a service company has to come up with something different that makes its service identifiably different (and better) than its competitors. This concept is referred to as ***Exclusivity***  Like a product, Brand names help to convey a positive image for the service. This is known as ***Branding.***  In order to balance the demand for and supply of the service being offered, some organizations offer incentives or disincentives to buying the service at specific times. This is known as ***Capacity Management.***  **Price Concerns**  Prices can be set in such a way as to control volume and allow supply to match demand.  **Place Concerns**  Services, or the tools to provide services, must be close to the customer.  Intermediaries are usually not involved in the delivery of services.  Technology is affecting how and where services are delivered.  **Promotional Concerns**  Public Relations is usually the tool of choice of promoting services  **Other Areas to Consider When Managing a Service**  **People**  The service employee often plays a major role in attracting, building, and maintaining relationships with customers. Customers will often judge a service based on their interaction with employees. Even service over the telephone can make a difference in a customer's perception of that organization.  ***Internal marketing*** means that you must treat your employees as customers and treat them with respect.  **Physical Evidence**  How much attention an organization pays to its physical surroundings can make a difference to a customer.  Buildings, landscaping, vehicles, furnishings, brochures, and equipment must look good and be free of defects and errors so that customers receive a good impression.  **Process**  How the service is delivered - the process by which it is delivered - can make a difference in consumers' minds. If the service is slow or there are too many hoops for a customer to jump through, they will view it negatively.  **Productivity**  Services must be where the customer wants it, when they want it and where they want it. Services must match demand and the organization must have the resources to meet that demand. (Have you ever been at a restaurant for lunch and found service slow because of a lack of waiting staff?  Did the organization match demand with supply?) |

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| **Services in the Future** |
| ***Deregulation*** in such industries as telecommunications, airlines, utilities, and financial services are leading to a greater variety of services.  Many organizations are now combining services.  Banks offer insurance, supermarkets offer banking and financial services, etc.  Bank Machine***Technology*** is also changing the nature of the service industry.  Consumers want to be access more and more services online. Purchasing movies, groceries, music, books and more growing online services.  The consumer of the future will be looking for more choices and new and better services. |