



# SERVICE MARKETING

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**COMMERCE DEPARTMENT**



**SERVICE  
MARKETING**  
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# PREFACE

**SERVICE MARKETING** is the application of a different set of tactics or strategies to anticipate the consumer's need for an intangible product. And thus, meet their requirements accordingly, to create maximum value for them from their purchase. Service marketing planning involves taking care of 7Ps. Price, Place, Promotion, Product, People, Process and Physical evidence.

This Service Marketing e-book is meant essentially for diploma level business students at local institutions of higher learning, especially students majoring in Marketing. Students who are new or have been exposed to service marketing concepts and have limited time and resources to view or review the bulky service marketing textbooks available in the market.

The contents of the e-book enable students to review the service marketing concepts, principles and practices. The learning outcomes are provided at the beginning of each chapter. In every chapter, application questions with modelled answers are provided as a guide. We have summarized useful marketing concepts and present them in a simple yet concise. It is our hope that with the companies, products, and brands that students are familiar with, they will be able to instantly relate to the service marketing practices in their environment. This book would help students understand service marketing concepts better and be a good guide as they prepare for examinations. We believe the approach of this book would make it a useful resource to students in Polytechnics.

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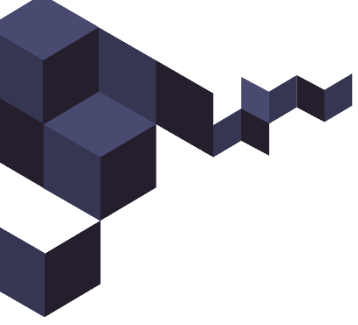
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# CHAPTER 1: INTRODUCTION TO SERVICE MARKETING

The marketing of services is different from the marketing of products. While selling off services, convincing the consumers and pricing the intangible products is a challenging tasks. The present marketing scenario is a lot more different from what it used to be earlier. The belief, mindset, perception and attitude of the consumers have changed tremendously. Listed below are the learning outcome for Chapter 1.



## 1.1 Provide information on services marketing



## 1.2 Expose forces that are transforming service markets

1.2.1 Discuss the factors stimulating the transformation of the service markets

1.2.2 Exhibit the roles of technology in services



## 1.3 Expose the features/characteristics of services

1.3.1 Explain the features or characteristics of services



## 1.4 Derive the basic differences between services and goods

1.4.1 Derive the basic differences between services and goods



## 1.5 Examine services marketing mix

1.5.1 Describe the services marketing mix



## 1.1.0 INTRODUCTION

The world's economy is progressively becoming a service economy these days. In most industrialized and developing countries, the service industry is becoming increasingly important and important in their economy. It's no secret that a country's economic progress is measured in part by the expansion of the service sector. According to economic history, every developing country has gone through a transition from agriculture to industry, and then to the service sector as the main engine of growth.



As a result of this transformation, the concept of products and services has shifted as well. There is no longer a distinction made between commodities and services. As a result, services are becoming an increasingly important component of the final product, as shown by the goods-services continuum.

Service marketers produce and deliver services that meet consumer requirements and expectations, therefore reaching company goals. Pre-purchase, service encounter, and post-service encounter satisfaction are all factors that marketers should grasp. Marketing strategy (overall cost leadership/competitors in designing, delivering, and conveying superior customer value to target customers, securing profitability through customer happiness). An organization with a service excellence plan was more effective. This is the era of consumers, and quality service should be integrated into the plan for success and survival in this competitive industry (Chowdhary and Prakash, 2007).

### 1.1.1 WHAT IS SERVICE MARKETING?

Service marketing is the practise of anticipating a consumer's desire for an intangible commodity. So, address their needs accordingly to maximise their purchasing value. Services are a sort of leasing, providing advantages without ownership. Include items rental. Services marketing is distinct from selling products and transferring ownership.

#### **Importance of Service Marketing**

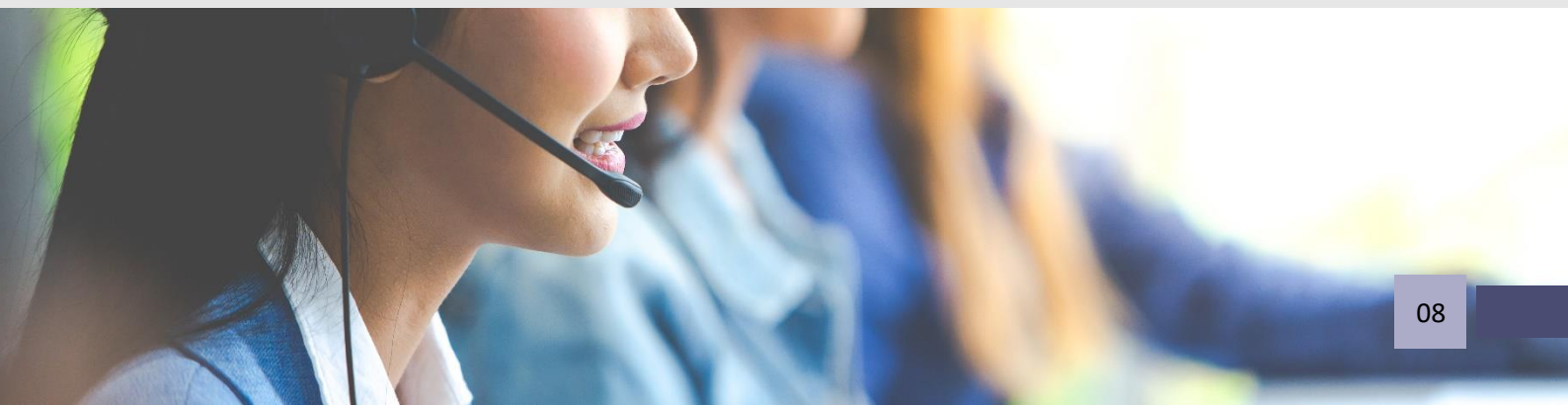
In light of the intangible nature of services, marketing them becomes a particularly difficult and yet incredibly crucial duty to complete successfully.

**A key differentiator:** As product offerings become more homogeneous, the accompanying services are emerging as a critical differentiator in the minds of consumers. For instance, in the case of two fast food businesses selling a comparable product (Pizza Hut and Domino's), it is the service quality that differentiates the two companies. As a result, marketers can use the service offering to set themselves apart from competitors and attract clients.

**Importance of relationship:** Marketing services relies heavily on relationships. Customers' purchase decisions are heavily influenced by their level of trust in the seller because the goods is intangible. That's why listening to the consumer is so important. Once you understand what they want from you, you can provide it. This will lead to repeat business and positive word of mouth.

**Customer retention:** Keeping consumers is more crucial than acquiring new ones in today's highly competitive market where several service providers are battling for a limited number of clients. Considering that services are typically developed and consumed in tandem, they genuinely include their customers in the service delivery process by taking their needs and opinions into consideration. As a result, they provide more personalization options based on consumer needs, resulting in happier customers who stick around longer.

Generally, all economic activity are classified as primary, secondary, or tertiary. Primary activities include agriculture, forestry, and mining. Manufacturing, processing, and construction are secondary activities. Services and distribution are tertiary activity. Services now account for a large portion of global economic activity. The service industry is huge and diverse. Affordability is a key factor in the success of any business. Services are offered for business and non-profit. Others, like hotels, professional consultants, and solicitors, are for profit.



## 1.2.1 THE FACTORS STIMULATING THE TRANSFORMATION OF THE SERVICE MARKETS

Meaning of service economy: Almost every country has seen an increase in the size of the service sector in recent years. Increasingly, the service sector accounts for more than half of the country's gross domestic product (GDP). As a result, the service sector of the economy is expanding. It's safe to say that the scale of the global service sector is expanding. The service sector is expanding quickly in emerging economies, and it now accounts for half of the country's gross domestic product (GDP). As a result, the service sector of the economy is expanding. Agriculture's share of total employment rises as a country's economy grows (including manufacturing and mining). In emerging countries like India, the service economy is dominated by financial, health, and education services.

### The Factors Stimulating the Transformation of the Service Market

There are five factors that stimulating the transformation of the service market; Government policies, social changes, business trend, advances in IT and globalization.

#### 1) GOVERNMENT POLICIES

- a) **Changes in Regulations:** Many industries in the service sector have long been heavily regulated. Historically, governments have regulated pricing levels, limited distribution options geographically, and defined product features. Deregulation has occurred to varying degrees in a number of important service industries in the last few years. Many restrictions on industries like airlines, banking, insurance, healthcare, tourism, and telecommunications have been eliminated or lessened as a result of fewer government regulations.



- b) Privatization and Economic Liberalization:** Another significant step taken by governments around the world is the privatisation of previously public services. The policy of converting government entities into privately held corporations was initially described as privatisation in the United Kingdom. Many other European countries are also swiftly heading toward privatisation.
- c) New Rules to Protect Customers, Employees and the Environment:** Not all regulatory alterations imply a loosening of regulations by the federal government. Many countries are working to improve consumer protection laws, employment safety, health and safety, and environmental protection.
- d) New Agreement on Trade in Services:** International trade in commodities and services has been tightly controlled by national governments for decades. The World Trade Organization's decisions to loosen trade restrictions are stimulating international trade in services, and countries are signing free-trade agreements with some of their neighbours. An example of this is the North American Free Trade Agreement (NAFTA) signed by Canada, Mexico, and the United States.



Figure 1.1 The Factors Stimulating the Transformation of the Service

## 2) SOCIAL CHANGES

With the recent shift to two persons working in the household, it's become necessary to hire individuals to handle chores that were formerly handled by a household member.

- a) **Rising Customer's Expectations and Short of Time:** Changes in the way people utilize Consumer Services have had a significant impact on the demand for them. Living alone is becoming more common than ever before. More families are made up of two working adults, including those who telecommute or have home offices.

### **3) BUSINESS TREND**

The idea of a company undergoing transformation is not new. Indeed, the impact of technology on business has been recognized for as long as there have been corporations. The use of cutting-edge technology has always distinguished the chaff from the wheat. The impact of digital disruption on businesses of all sizes and geographical locations is driving today's transformation focus. One-quarter of organizations say they are now vulnerable to digital disruption, and another one-half believe they will be in the near future. Now is the moment to take action if you want to make it in this atmosphere. Firms are more exposed to a competitive market than they were two years ago, and over half predict they will be even more vulnerable in the next 24 months.

### **4) ADVANCES IN INFORMATION TECHNOLOGY**

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## 5) GLOBALIZATION

Globalization reduces production costs. This allows corporations to provide reduced prices to consumers. The average cost of commodities is an important factor in raising the standard of life. Consumers also have greater choice. Positively, globalization tends to reduce service prices, boost output, and improve service quality. On the other hand, increased competition causes dislocation as uncompetitive enterprises lose market share and personnel. Globalization is the process of trading goods between countries to enhance economies. Globalization has brought Globalization has brought corporations into poorer countries, creating jobs. Rapid urbanization, public sector expansion, and rising demand for intermediate and final consumer services are driving service growth. Access to efficient services is critical for overall economic productivity and competitiveness.



### 1.2.2 THE ROLES OF TECHNOLOGY IN SERVICES

With the advancement of technology, service marketing is changing. As a result, there's a lot of room for innovation in terms of new service offers. Because of this, customers and staff will be able to get and give tailored services. Service innovation has been driven primarily by technological advancements. Only modern technology makes such things as automated voice mail, interactive voice response systems, fax machines, and automated teller machines (ATMs) possible.



**Increased Productivity:** Internet-based businesses can now offer new services. The Wall Street Journal offers an interactive edition where readers can customise the newspaper's content. Internet-based bill payment ensures client convenience. The “connected car” will allow users to access services while driving. Cars have navigation systems that direct drivers to specific areas. Nowadays, mobile Web access is possible. Thus, technology is a tool for improving existing services.

**Improving the Delivery Of Service - Through The Use Of Internet Technologies:** Technology has provided new service offers as well as new service delivery methods. It provides vehicles for more convenient delivery of existing services. True, technology facilitates basic customer service operations like bill payment, account verification, order tracking, and information requests. With the advent of technology, customer service has evolved. Before technology, all customer service was done through direct personal connection between personnel and customers. Large corporations now centralize customer service. It is doable by setting up a few huge call centres around the world. IBM's customer support calls are typical of large corporations merging call centres. The introduction of AVR has enhanced telecommunications customer service. Ford's technology allows customers to schedule service appointments and track car status online. Many websites also provide health-related information.

**Market place vs market space:** A marketplace is a physical area where buyers and sellers interact and exchange information. The cost may be slightly greater in the marketplace due to infrastructure and the potential of fewer clients. Building, maintenance, and staffing costs would be factored into product pricing. In a market, supply and demand are

determined by a smaller group of people since they are localized. Even if the seller finds a shortage of supply, the reaction or price he can collect is restricted by the lack of buyers. To transact, content, context, and infrastructure must be combined. These aspects add up to brand equity and value proposition. Marketplace is an electronic or online trading environment powered by information and communication technology in which buyers and sellers engage and transact in a virtual setting. In the marketplace, costs can be reduced through innovative thinking such as lowering overheads, shared ownership (infrastructure held by multiple parties to the transaction), online money transfer, and so on. Buyers decide supply and demand in the marketplace, sometimes globally. So, if the seller suspects a lack of supply, an online auction would be the best option. At the marketplace level, the content, the context, and the infrastructure may be distinguished and can serve as the foundation for the perception of consumer value.

### 1.3.1 DEFINITION AND CHARACTERISTICS OF SERVICES

The term "service" has no commonly agreed definition, therefore defining it is extremely difficult. Previously, service was thought of as merely a perk tied to a tangible good. With today's paradigm shift in service, the service industry is now completely independent of physical commodities and growing at a rapid pace. This is why service businesses are now considered as distinct from manufacturing ones.

Typically, the phrase "services" refers to professional services including repair, health care, legal representation, and counselling. The issue is viewed differently by marketing specialists. They believe service offerings cover a larger range of topics.

Services, according to Berry (1980), are acts, deeds, or performances. There are no pure services or pure material items, therefore defining them becomes more difficult. "Any act or performance that one party can deliver to another that is essentially intangible and does not lead to ownership of anything," according to Philip Kotler (1990).

Its creation may or may not be linked to a tangible good."AMA (1960) defines services as activities, benefits, or satisfaction that are offered for sale or delivered in conjunction with the sale of products. Others, such as Hasenfield and Richard (1974), see services as actions of organisations that help people stay healthy and operate well.

To paraphrase Payne (1995), "a service is a tangible activity that requires interaction with consumers or things in their possession, but does not result in a

transfer of ownership," he argues. Service production might be strongly linked to a physical product or unrelated to a change in condition.

According to Jha (2000), services have special traits that demand a new perspective, a separate methodology, and world class professional expertise to deal with efficiently and profitably. To make innovative selections, service workers must be aware of these service features.

### Features and characteristics of Service

- i. **Intangibility:** Services do not have a physical form, but are instead intangible concepts. As a result, services cannot be held, tasted, smelled, or touched. This is the most distinguishing feature of a service, as opposed to a product. Those involved in service marketing face a unique problem, as they must link physical features to an otherwise nebulous offering, because of this.
  
- ii. **Heterogeneity/Variability:** Because to the nature of services, no two are exactly alike, even if they are provided by the same company. While mass-produced and homogenised products are possible, this is not the case with services. McDonald's burgers, for instance, are all nearly identical in terms of flavour. However, this is not the case when the same counter employee serves two customers in a row.
  
- iii. **Perishability:** Services cannot be stored, saved returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.



- iv. **Inseparability/Simultaneity of Production and Consumption:** When services are created and consumed simultaneously, they are said to be co-evolving. Unlike, instance, a takeaway burger, which the client may consume hours after purchase, a haircut is delivered to and consumed by a customer simultaneously. Furthermore, it's nearly impossible to tell one service from another. For example, the barber is integral to the haircut service he provides to his client.
  
- v. **Ownership:** It is the basic difference between a service industry and product industry. One of the most obvious qualities of service is a lack of ownership. It's a reference to the reality that services cannot be owned and stored in the same way that products can. This feature is closely related to others, such as intangibility, perishability, and inseparability, in the service industry.

### 1.4.1 BASIC DIFFERENCES BETWEEN SERVICES AND GOODS

#### Types of Service

- a) **Core Services:** A service that is the primary purpose of the transaction. For examples, a haircut service or the services of lawyer or teacher.
  
- b) **Supplementary Services:** Services that are rendered as a corollary to the sale of a tangible product. For example, home delivery options offered by restaurants above a minimum bill value.

### Differences between Services and Goods

Given below are the fundamental differences between physical goods and services:

Table 1.1 Differences between Services and Goods

GOODS	SERVICES
A physical commodity	A process or activity
Tangible	Intangible
Homogeneous	Heterogeneous
Production and distribution are separation from their consumption	Production and distribution are simultaneous processes
Can be stored	Cannot be stored
Transfer of ownership is possible	Transfer of ownership is not possible

## 1.5.1 THE MARKETING MIX FOR SERVICES

There are differences between the services and goods marketing mix. Their marketing strategy is based on the 4Ps: Product, Price Place, and Promotion.

### PRODUCT

Products are things that are the result of bodily effort. A product is anything that may be sold to a market that fulfils a consumer's want or need. But it's more than simply a physical object, as you'll see. What customers believe they will get as a result of purchasing the product is referred to as the "total value proposition." In other words, it's the totality of all of your qualities.

## PRICING

Pricing is just one of the four facets of a business' marketing strategy. Management of products, promotion, and distribution make up the last three components of the marketing mix. In microeconomic price allocation theory, it's a critical variable. In pricing, prices are applied manually or automatically to buy and sales orders based on parameters like: a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing at entry, shipment or invoice date, and a combination of several orders or lines. Automatic systems are more complicated to set up and maintain, but they can help you avoid costly mistakes.



## PLACE

Place typically provides a different side of value (utility). Who wants to travel 10 kilometres for a regular supper, especially if it is reasonably priced and of excellent quality? Services are frequently chosen for location. Closer to the customer implies more sales. Place usefulness is critical for the other 6 Ps.

Place is a term that pertains to distribution, which is concerned with making the product available to the appropriate clients, at the appropriate time, in the appropriate quantity, and in the appropriate location. However, service features preclude the employment of good-oriented approaches and methods. Intangible services cannot be

conveyed like tangible products. Their interdependence calls into doubt free-flowing goods from production to consumption. Additionally, their perishable nature precludes any form of storage. Two crucial challenges arise here, how the service will be made available and where it will be located, as the service cannot be isolated from the production system.

There are three main distribution methods:

**a) Intensive Distribution:**

To do this, you'd have to visit as many convenience stores as possible. Due to the interdependence of services, it is rare to see intensive distribution used. In many services, however, technology mediation has allowed for this separation, and as a result, banking, Internet, and mobile services are widely diffused.

**b) Exclusive Distribution:**

This is done for products that have a high level of distinctiveness and are therefore highly sought after by customers. Limited spaces are used by highly exclusive services such as specialty surgical procedures and education or meals to deploy exclusive distribution strategies.

**c) Selective Distribution:**

By embracing the franchise model or opening only a small number of company-owned outlets, this implies an in-between approach. The franchise concept is used by companies including Holiday Inn, Courtyard by Marriott, Looks Salon, Subway, Mother's Pride, and McDonalds.

## **PROMOTION**

A promotional mix or a promotional plan is created by specifying these four elements. A marketing mix outlines how much attention and money should be allocated to each of the four areas. Promoting a company can have a variety of goals, such as increasing sales, promoting new products, building brand equity, improving positioning, or promoting a positive corporate image.

When Borden (1965) first studied marketing mix aspects, he used data from the manufacturing industry because services were viewed as being relatively unimportant to the economy. Recent research shows that the 4Ps of the marketing mix don't apply as well to services. Thus, when it comes to promoting services, Booms and Bitner (1981) recommended an expanded "7-Ps" strategy that includes the following "Ps":

## **PROCESS**

Consumption procedures, methods, and activity flows. For example, consider cosmetics (which use animal experimentation) or automobiles as examples of industries where the "how" of a product's production is becoming increasingly important to a large number of customers (recycling). In the end, the most important benefit of this debate is that individuals who participate learn more about marketing in general, not just the marketing mix in particular.

## **PEOPLE**

All those who are directly or indirectly connected with the use of a service, such as staff or other customers. The employment of proper employees and people is a critical component of any service provider. A

competitive edge can only be achieved by hiring the best people and teaching them properly on how to deliver their products or services. In the course of their interactions with staff, customers form opinions and offer perceptions about the company's level of service. Staff should be able to work well with others, have aptitude, and be knowledgeable about the products and services that customers are paying for. Many organisations in the United Kingdom hope to submit an Investors application. Human resources certification shows clients their employees are well-cared-for and well-trained.

**PHYSICAL EVIDENCE:**

The setting in which the service is provided. Additionally, tangible products are included that aid in the communication and performance of the service. Explicit factors include people and process, whereas implicit factors include physical evidence. What location will the service be provided at? When it comes to the service mix, Physical Evidence is the component that enables customers to make new judgments about the business. When you enter into a restaurant, you expect a spotless, welcoming atmosphere. For those who fly first class, they are accustomed to having ample space to stretch out and sleep.



**PART 1: FILL IN THE BLANK**


Fill in the blanks for the basic differences between goods and services as below:

- 1) Customer do not obtain ..... of services.
- 2) Services product are ..... performances.
- 3) There is greater involvement of ..... in the production process.
- 4) Other people may form part of the .....
- 5) There is greater ..... in operational inputs and outputs.
- 6) Many services are difficult for customer to .....
- 7) There is typically an absence of .....
- 8) The ..... factor is relatively more important.
- 9) Delivery system may involve both ..... and .....

**PART 2: STRUCTURED QUESTION**

Answer all the questions.

- 1) Define services.
- 2) What are the eight common differences between products and services?
- 3) Describe the seven Ps of service that would be involved in a banking service.



*“I’ve learned that people  
will forget what you said,  
what you did, but people  
will never forget how you  
made them feel.”*

Maya Angelou



# CHAPTER 2: CREATING THE SERVICE PRODUCT

Service Product- comprised of all elements of service performance, both tangible and intangible, that create value for customers. Listed below are the learning outcome for Chapter 2.



## 2.1 Provide differences between core product and its supplementary services

- 2.1.1 core product and its supplementary services?
- 2.1.2 explain supplementary services (the flower of service)



## 2.2 Provide information on the new service product development

- 2.2.1 explain new service product development
  - a) hierarchy of new service development
  - b) searching for new ideas
  - c) using research to design new services



## 2.3 The branding of service products

- 2.3.1 examine the branding strategies of service Products
  - a) Branded house
  - b) Sub-brands
  - c) Brands endorsed
  - d) House of brands

## 2.1.0 INTRODUCTION

A service product is a business practice in which a company offers both a service and a product or a good. In the service industry, this is referred to as the service-good mix and can apply to a wide range of organizations. With service purchases, customers purchase a package of activities or benefits that includes a core product and a number of additional services (also known as peripheral services, augmented products or intended product) that facilitate, support, and enhance or differentiate the core product. When a guest checks into a hotel, the primary service he expects to receive is accommodation.



Additional services may include room service, restaurant meals, lounge music, TV in the room, sports facilities, gym, cocktail bar, secretarial, telephone, shopping, security, safe deposit box, wake up call, credit card payment, and free parking ( Figure 2.1).



Figure 2.1 Core and Supplementary Elements Slide © 2007 by Christopher Lovelock and Jochen Wirtz

A service product comprises of all elements of service performance, both tangible and intangible, that create value for customers. Service products consist of:

- ❖ Core Product: central component that supplies the principal, problem-solving benefits customers seek
- ❖ Supplementary Services: augments the core product, facilitating its use and enhancing its value and appeal
- ❖ Delivery Processes: used to deliver both the core product and each of the supplementary services

### 2.1.1 CORE PRODUCT AND ITS SUPPLEMENTARY SERVICES?

Service functions are carried out by the two product pieces that compose it. There are two types of products: core and supplementary. Core products offer benefits and solutions to clients, whereas supplementary services are activities that have a connection to the product's core functionality. In addition to enabling and upgrading services, supplemental services are categorized into eight categories showed in Figure 2.2 (Christopher Lovelock first proposed this idea, called the "Flower of Service," 1996).

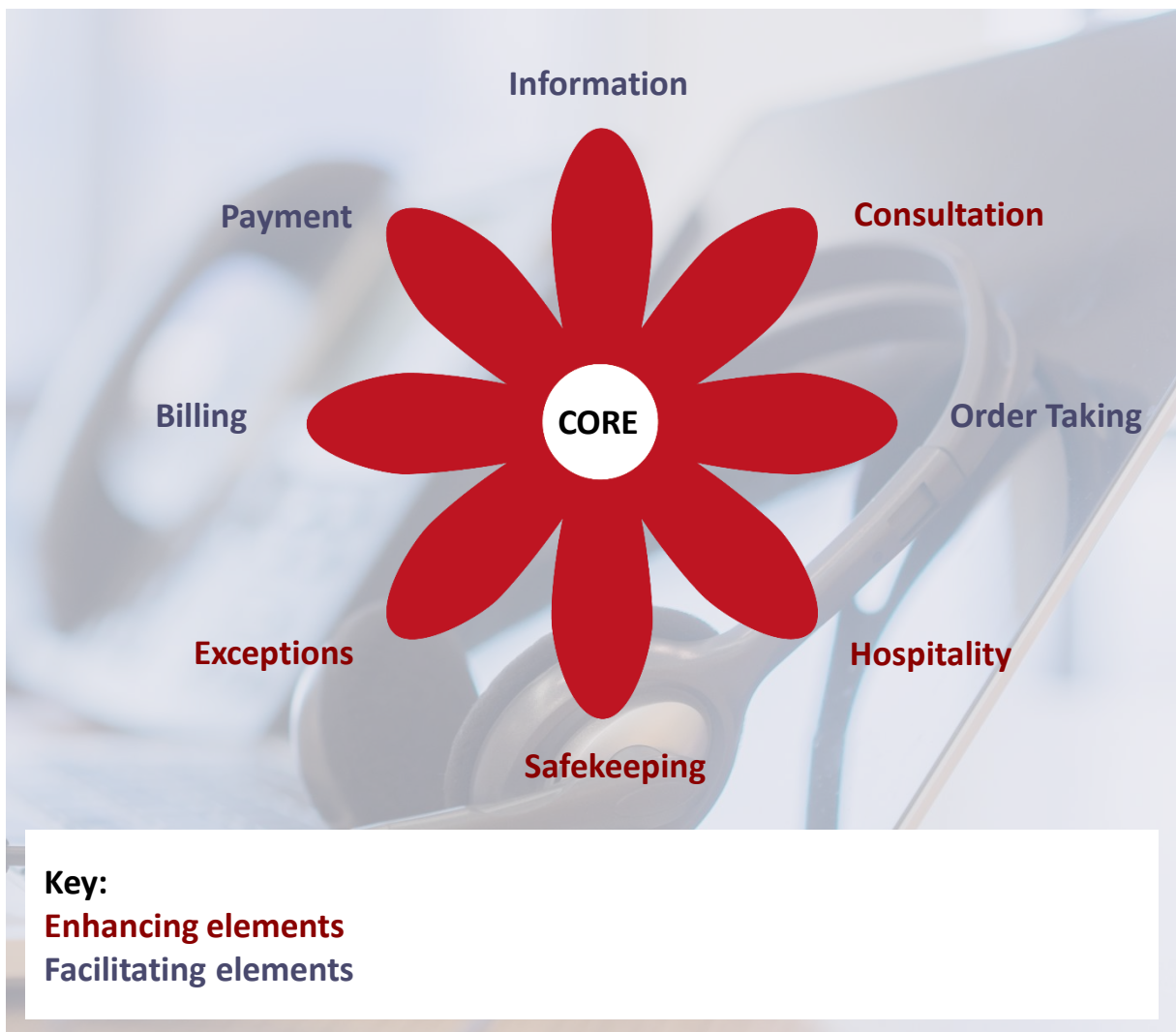


Figure 2.2 The Flower of Service



## 2.1.2 THE FLOWER OF SERVICE

Based on a flower's nomenclature, the Flower of Service concept highlighted the connection between supporting and enhancing services within the core product. The idea is to complete service marketing goals by enabling and enhancing services (Lovelock & Wirtz 2011). The Flower of Service's supplemental services are detailed;

### a) **Facilitating Services**

Facilitating services comprise information, billing, payment, and order-taking as part of the overall package. Instructions and cautions are mentioned under "information," as are service conditions and terms of service. These are just a few examples of information. Through the interaction of these components, it is possible to guarantee successful marketing by ensuring service quality meets the information provided in advance.

This includes applications (such as subscription services and required activities), order entry components (such a website or phone number), and reservations (such as shipping and order fulfilment services) (seats, equipment rental, admission facilities, and professional appointment). Periodic account activity statements, invoices, machinery display, and self-billing are all part of the billing process. The payment function includes self-service (EFT, token, cash, and credit card number), intermediate (change giving, debit card handling, coupon redemption, and check handling), and automatic deductions such as human systems and other automated systems as well as the payment function (Lovelock & Wirtz 2011).

**b) Enhancing Services**

Consultation, safekeeping, exceptions, and hospitality are all part of improving services. Technical advice, customized services, and training are all components of consultation, and they all work together to ensure that the concept of service marketing is applicable to all types of services. Services like security and welcomes fall under the umbrella of hospitality. Amenities like restaurants and transportation are also included. Care of customers' belongings (children's toys, pets' jackets and baggage) and rental or purchase of goods by customers are all parts of safekeeping (pickup, delivery, installation, refueling, upgrade, cleaning, repairs, and packaging). Finally, the Flower of Service's exception elements include handling special requests in advance (dietary, disability, religious, and children's needs), handling exceptional communication (suggestions, complaints, compliments, and opinions), problem-solving, and restitution (Lovelock & Wirtz 2011).

Every company in the market today provides the same core product with more or less the same quality standard, the competitive advantage is in focusing on improvement or addition of supplementary services to their offerings as an industry matures and competition becomes more intense and fierce.

Therefore, if a service organization wants to set itself apart from its competitors, it can choose between two approaches. the core service should be:

- i. Changed or improved
- ii. Alter, enhance, or add new services

## 2.2.1 NEW SERVICE PRODUCT DEVELOPMENT

### 2.2.1 (a) HIERACHY OF NEW SERVICE DEVELOPMENT

A new service category hierarchy consists of seven (7) levels (Figure 2.3).

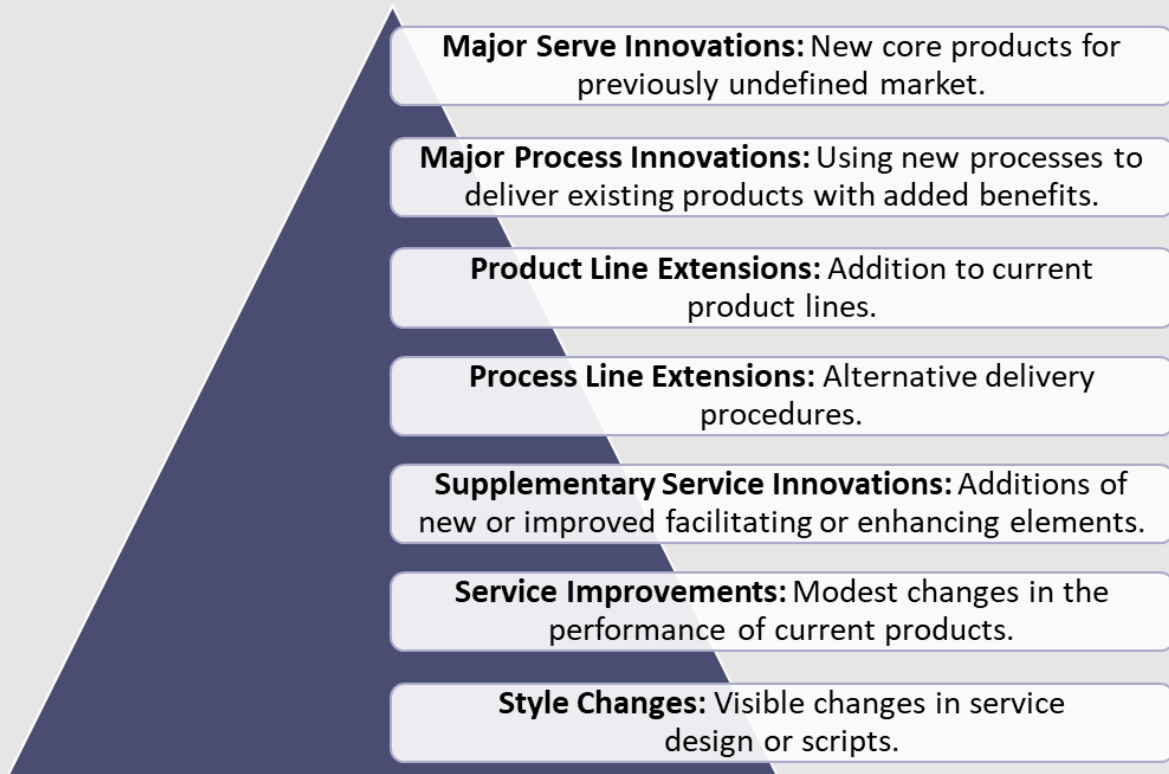


Figure 2.3 New Product Development Process

#### a) Style Changes

- i. Process or performance modifications are not necessary for the basic types of innovation.
- i. Employees may be more motivated by changes in style since they are more apparent, exciting, and energizing.
- ii. Repainting vehicles and structures in new color schemes, changing employee uniforms, making small script modifications for personnel, and creating new bank check designs are some examples.

**b) Services Improvements**

- i. The type of innovation most often seen. They just affect minor aspects of present items' performance, such as the core product or existing supplemental services. They're not revolutionary.

**c) Supplementary Service Innovations**

To improve a current service, they add new facilitation or enhancement components. Here are some illustrations:

- Providing new consumers with high-speed Internet connection that is available around the clock for those who live in convenient locations.
- Accepting credit cards as payment or installing parking at a retail location are two examples of low-tech innovation for an existing business

Customers may perceive a fresh experience even though it is based on the same core as before because of multiple upgrades. Restaurants with a theme, like Rainforest Café, add new elements to the fundamental food service. Customers are kept engaged at the cafes by aquariums, water features, parrots in the wild, talking trees that spew facts about the environment, and thunderstorms that come and go with flashing lights.

**d) Process Line Extensions**

- i. These enhancements aren't as ground-breaking as those made to the actual procedure.
- ii. The most common way they do this is by creating new low-contact distribution channels alongside an existing high-contact channel, such as telephone-based or Internet-based banking services, in

such as telephone-based or Internet-based banking services, in order to provide existing customers with more convenience and a different experience, or to attract new customers who find the traditional approach unappealing.

- iii. The bookshop Barnes & Noble adopted Internet shopping to help it compete with the e-commerce behemoth Amazon.

**e) Product Line Extensions**

- i. Expansions of a company's present product lines are known as product line extensions. Market leaders may be perceived as innovators, whereas those who follow suit later are just copycats, frequently acting defensively.
- ii. In order to attract new consumers with diverse wants, these new services may be targeted to existing customers to cover a wider range of needs (or both).
- iii. Example: The development of a separate low-cost operation to compete with cheap carriers like JetBlue and Southwest Airlines, such as Delta Air Lines, has been attempted by several large carriers but none of these initiatives has been successful. Banking: Insurance products are sold by many banks to existing clients in order to grow the number of profitable partnerships.

**f) Major Process Innovations**

- i. Major process innovations consist of new processes to deliver existing core products in new ways with additional benefits.
- ii. Example: The University of Phoenix competes with other universities by delivering undergraduate and graduate degree programmes in a non traditional way. It has no permanent central

campus but offers courses either online or in rented facilities. Its students get most of the benefits of a college degree in half the time and at a much lower price than at other universities.

- iii. Often such Internet-based business models add new, information-based benefits such as a greater customization, the opportunity to visit chatrooms with fellow customers and suggestions for additional products that match well with what has already been purchased

**g) Major Service Innovations**

- i. New core goods for undefined markets are major service innovations. New service qualities and revolutionary methods are frequently included in these initiatives.
- ii. For instance, in 1971, FedEx became the first company to offer countrywide overnight rapid package delivery. With the introduction of eBay's new online auction services, A variety of service innovations can occur at different levels, and not all of them have an impact on how a client perceives the service offering.

**2.2.1 (b) SEARCHING FOR NEW IDEAS**

**1) Turning Goods Into Services**

- Physical Goods as Source of Service Ideas
- When goods and services have the same essential advantages, they can be competitive replacements. One option is to get a printer and print photos at home, or to submit photos to print shops that offer the service.



- Whether they acquire services or equipment is influenced by customer skills, physical capacities, and time budget. Customers must also think about things like storage, maintenance, and repair, all of which have an effect on the final price.
- When it comes to new physical products, there's always the possibility that they'll create a demand for possession processing services like after-sales service. When it comes to industrial equipment, maintenance and repair are required throughout the equipment's existence, from finance, insurance, shipping (delivery), installation, and problem solving to advising and upgrading.

## 2) Transforming Services into Goods

- Services can also be designed to give clients an alternative to owning tangible goods and to enable them to conduct the work themselves.
- Customers have the option of renting things, using them once, and then returning them for a price. Equipment operators can be hired by customers for their own or rented gear.
- Figure 2.3 depicts several modes of transportation and word processing, such as driving and typing. There are four options for car travel, and there are four options for word processing. Three of these options provide chances to serve the community. Each option is based on a choice between owning and renting the necessary physical things, as well as between providing self-service or employing someone else to do so. Additional services offered by service providers can improve the value offering.

	Own Physical Good	Rent the use of a Physical Good
Perform the work oneself	<ul style="list-style-type: none"> <li>✓ Drive own car</li> <li>✓ Type on own word processor</li> </ul>	<ul style="list-style-type: none"> <li>✓ Rent a car and drive it</li> <li>✓ Rent a word processor and type on it</li> </ul>
Hire someone to do the work	<ul style="list-style-type: none"> <li>✓ Hire a driver/chauffer to drive car</li> <li>✓ Hire a typist to use word processor</li> </ul>	<ul style="list-style-type: none"> <li>✓ Hire a taxi or limousine</li> <li>✓ Send work out to a secretarial service</li> </ul>

Figure 2.3 Service as Substitutes for Goods Ownership and Task Performance. (Source: Lovelock, C. H., & Wirtz, J. (2004). Services marketing: People, technology, strategy. Upper Saddle River, N.J: Pearson/Prentice Hall., 124)

### 2.2.1(c) USING RESEARCH TO DESIGN NEW IDEAS

Service providers employ research to figure out which features and prices are most valuable to their clients. Additionally, research findings assist service providers in developing new services.



## 2.3.1 BRANDING OF SERVICE PRODUCTS

### 1) Product Lines and Brands

#### a) Branded House

A business that uses its brand name across a wide range of products and services, typically in completely unrelated industries. Inconvenience: Over extension and weakening of the brand.

*Example:* Virgin Group

#### b) Sub-Brands

Although the corporate or master brand serves as the primary frame of reference, the product itself has a unique name that distinguishes it from the competition.

*Example:* Singapore Airlines

Singapore Airlines Raffles Class: The company's business class.

Singapore Airlines Suite: Beyond First Class Service.

#### c) Endorsed Brands

- i. The product's brand name takes centre stage, but the company's name is prominently shown as well. This is a common tactic employed by hotels. About eight to ten sub-brands are used by Hilton Hotels Corporation and Marriot International.

Examples: The Ritz-Carlton chain, which is completely owned by Marriot International, is not generally acknowledged as part of the Marriot Group for marketing purposes in order to safeguard its exclusive reputation.

- ii. A brand's success depends on offering a unique value proposition to each of its target client segments. Businesses that provide lodging services must be flexible because the degree of service (and hence the price) varies, as do the room layout and amenities.
- iii. The goal of a brand extension strategy is to keep customers coming back to businesses that are part of the brand's family by offering rewards programmes.

**d) House of Brands**

- i. Each brand is promoted under its own name.

Example: YUM! Brands

Has more than 35,000 restaurants in 110 countries - A&W, Taco Bell, PizzaHut, Long John Silver, Kentucky Fried Chicken

**2) Offering A Branded Experience**

- a) Branding can be employed at both the corporate and product levels by service businesses.
- b) A Corporate Brand:
  - i. is not only instantly recognizable, but it also conveys meaning to customers, reflecting a specific corporate approach.
  - ii. Unique brand names convey the special benefits and experiences that go along with a certain service proposition. Consequently, it aids in the creation of an image of the service in customers' thoughts and the clarification of the value proposition's essence for marketers.

**PART 1: MULTIPLE CHOICE QUESTIONS**

Answer all the questions.

1. Which of the following communication objectives becomes the most important during the post-consumption evaluation stage
  - A. Informing customers
  - B. Managing customer expectations
  - C. Reducing consumer perceived risk
  - D. Persuading customers
  
2. Branding of services becomes difficult because they are \_\_\_\_\_
  - A. Intangible
  - B. Heterogeneous
  - C. Perishable
  - D. Inseparable
  
3. Word-of-Mouth communication networks are particularly important for service firms because
  - A. Service customers tend to rely more on personal than non-personal source of information
  - B. Service firms only offer one brand of service.
  - C. Service firms can seldom afford to pay for promotional efforts.
  - D. Service customers tend to rely more on non-personal than personal sources of information
  
4. The suggested communication strategy to use when the product is intangible dominant is to
  - A. Create an intangible image for the product.
  - B. Create awareness for the product
  - C. Surround the product with tangible evidence.
  - D. Make sure the product is in the evoked set of
  
5. Buying process of services becomes complicated because
  - A. Difficult to assess and compare.
  - B. No direct sales available.
  - C. Many product lead to confusion.
  - D. Door delivery is not possible.

6. \_\_\_\_\_ supply the central, problem-solving benefit that customers seek.
- A. Core products
  - B. Supplementary services
  - C. Delivery processes
  - D. Sustaining processes
  - E. Conditional services
7. \_\_\_\_\_ augment the core product, both facilitating its use and enhancing its value and appeal.
- A. Core products
  - B. Supplementary services
  - C. Delivery processes
  - D. Sustaining processes
  - E. Conditional services
8. \_\_\_\_\_ represent a special type of order taking that entitles customers to a specific unit of service.
- A. Suggestions
  - B. Reservations
  - C. Trackers
  - D. Repossessions
  - E. Contracts
9. At it's simplest, \_\_\_\_\_ consists of immediate advice from a knowledgeable service person in response to the request: "What do you suggest?"
- A. billing
  - B. payment
  - C. consultation
  - D. hospitality
  - E. selling




10. Which of the following is NOT considered an example of a hospitality element?
- A. Greeting
  - B. Toilets and washrooms
  - C. Advice
  - D. Food and beverages
  - E. Transport

### **PART 2: STRUCTURED QUESTION**

Answer all the questions.

- 1) Describe the FOUR (4) types of “exceptions” listed in the chapter.
- 2) Explain how the core product, supplementary services, and delivery processes are integrated in the context of an overnight hotel stay.



*“Desire is the key to motivation,  
but it's determination and  
commitment to an unrelenting  
pursuit of your goal will enable  
you to attain the success you  
seek.”*

Mario Andretti



# CHAPTER 3: MODEL OF SERVICE CONSUMPTION

Unlike product marketing, service marketing has its own set of challenges. Convincing customers and pricing intangible goods are difficult undertakings when selling off services. The current state of marketing is vastly different from previous eras. Consumer beliefs, mindsets, perceptions, and attitudes have shifted dramatically during the last few decades. At the end of Chapter 3, you should be able to:



## 3.1 Demonstrate the three-stage model of service consumption (pre-purchase, service encounter & post-encounter)

### 3.1.1 Demonstrate the pre-purchase stage

- a) Need awareness
- b) Information search
- c) Evaluation of alternative
- d) Purchase decision

### 3.1.2 Explain service encounter

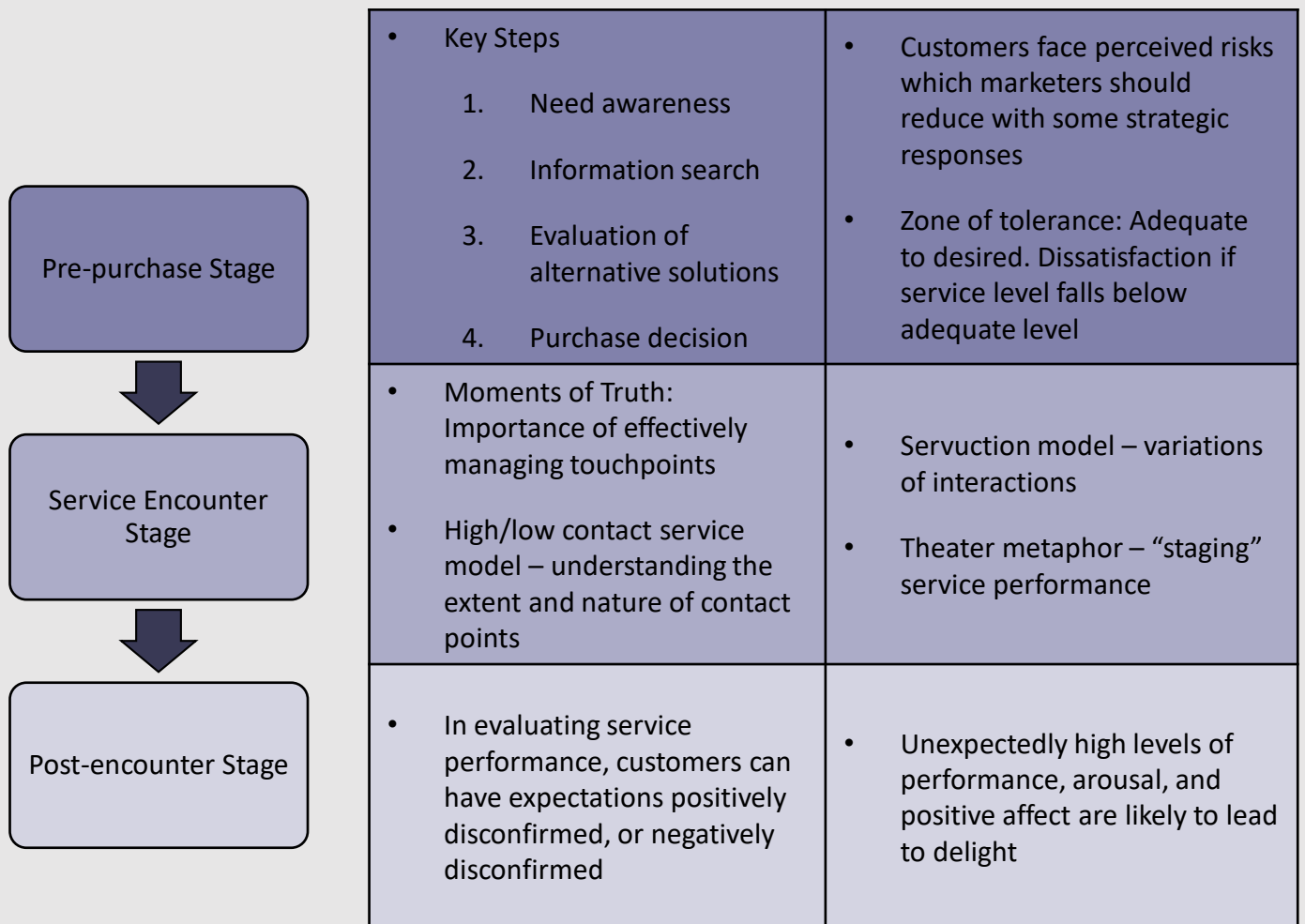
- a) Recognize the categorize of service processes
- b) Explain the levels of customer contact
- c) Explain service as a system
- d) Demonstrate the flowchart of service experience

### 3.1.3 Demonstrate Post-Encounter Stage

- a) Explain the relationship between service performance and expectation

### 3.1 THREE-STAGE MODEL OF SERVICE CONSUMPTION

The stages of service consumption are as follows: pre-purchase, service encounter, and post-encounter. Each level is comprised of at least two stages. The pre-purchase stage consists of the following four steps: (1) Awareness of need, (2) Information search, (3) Evaluation of alternatives, and (4) Making a purchase decision. During the service encounter stage, the customer initiates, experiences, and consumes the service.



**Figure 3.1 The Three-Stage Model of Service Consumption**

Source: Rodoula H. Tsiotsou and Jochen Wirtz (2015)

### 3.1.1 PRE-PURCHASE STAGE

#### Step 1 Need Awareness

An individual or organization buys or uses a service because of an underlying need. A need will trigger a search for knowledge and a comparison of options. Unconscious minds can trigger needs (e.g., personal identity and aspirations).

- Hunger drove Sofia to Burger King.
- Social media or a service firm's marketing efforts
- Recognizing a need motivates people to act to address it.

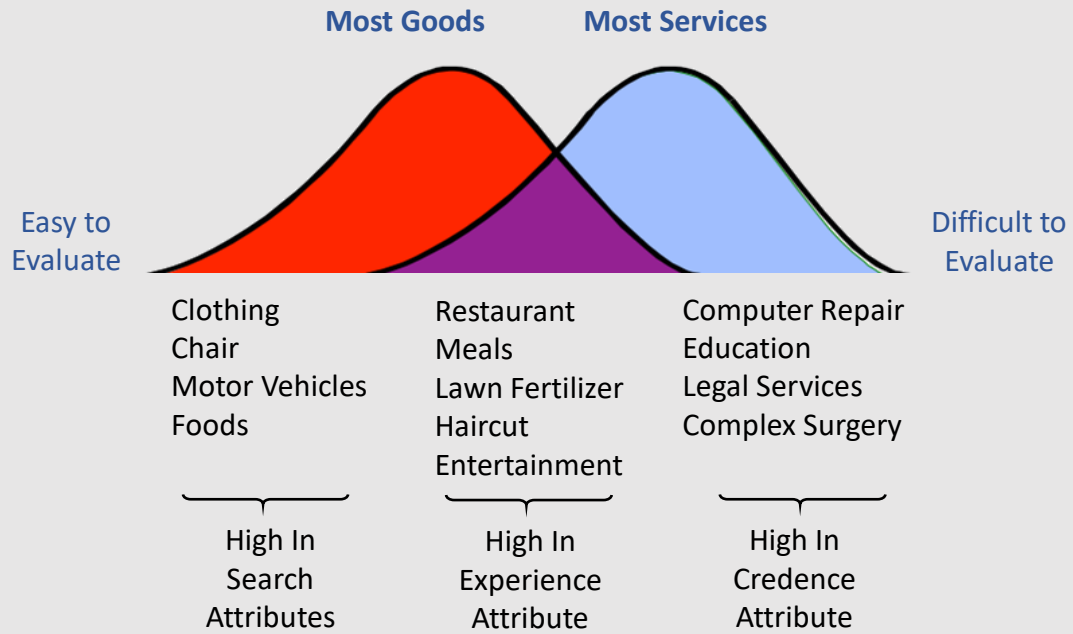
#### Step 2 Information Search

The arousal of a need results in an endeavor to discover a solution to meet the need. An evoked set is a collection of items and brands that a consumer examines during the decision-making process and that is generated from previous experiences or external sources. After then, it is necessary to assess the alternatives before making a final selection.

#### Step 3 Evaluation of Alternatives

Three (3) types of Service attributes (Figure 3.2):

- Search attributes help customers evaluate a product before purchase. Example: Type of food, location, type of restaurant and price
- Experience attributes cannot be evaluated before purchase. Example: The consumer will not know how much s/he will enjoy the food, the service, and the atmosphere until the actual experience
- Credence attributes are those that customers find impossible to evaluate confidently even after purchase and consumption. Example: Hygiene conditions of the kitchen and the healthiness of the cooking ingredients.



**Figure 3.2 How Product Attributes Affect Ease of Evaluation**

Source: Valarie A. Zeithami (1981)

#### Step 4 Making a purchase decision

Purchase Decision: Possible alternatives are compared and analyzed, and the best option is ultimately chosen from among them. Simple if the perceived risks are modest and the alternatives are obvious complex if the trade-offs become more complex. Frequently, trade-offs must be made. Following the decision-making step, the consumer moves on to the service encounter stage of the process.

### 3.1.2 SERVICE ENCOUNTER STAGE

Customers proceed to the core of the service experience after making a purchasing decision: the service encounter stage, which typically includes a series of contacts with the chosen service provider.

**a) Recognize the Categorize of Service Process**

Services have inputs and outputs. Intangible input and output make service processing a complex process. Most service input comes from consumers and their stuff. For example, the customer is the input at a restaurant. In a laptop repair shop, the laptop is both the object and the input. In both circumstances, the result is tangible. In a restaurant, you get food to eat. In a laptop repair business, you will get concrete components and services because you will see the physical adjustments performed to the laptop. However, certain services are intangible, as is the service processing. Another example is education consulting, where the consumer is the input. However, the consultant's quality of advice and the customer's grasp of it are intangible. Thus, service processing quality varies between consultants. In general, there are two forms of service processing: physical and intangible. Here are 2 service processing types processes (Figure 3.3).

		WHO OR WHAT IS THE DIRECT RECIPIENT OF SERVICE	
		People	Possession
NATURE OF THE SERVICE ACT	Tangible actions	People processing	Possession – processing
	Intangible actions	Mental stimulate processing	Information processing

Figure 3.3 Types of Service Process



**i. People Processing**

People-related service processing is one of the most popular types of service processing. Health care, housing, passenger transportation, fitness centres, and hairdressing salons are all instances of service processing that directly involves the end user. The customer must be physically present for the service to be delivered under this sort of service processing.

**ii. Possession Processing**

The consumer is not required to be present when the service is being provided, it is a form of service procedure employing objects. Repair and maintenance work, warehousing, trash recycling, and laundry or dry cleaning are examples of procedures where the client provides input but the processing does not require the customer's presence at all. Objects are, once again, tangible in nature, and hence this is a tangible type of service processing. The material is handled by the service provider when you move from one house to another, and your presence is not required.

**iii. Mental Stimulus Processing**

There is only mental work involved in this form of service processing. Because something is difficult to quantify, it is classified as intangible. One such intangible activity is theatrical performance. Each of your performances at a theatre will be interpreted differently by different clients. At the same time, this theatre performance may be broadcast on TV or as a radio reading.

**iv. Information Processing**

The final type of service processing happens when information is processed without any extra processing. So, when you go to a bank, the consumer is an input, and he wants to deposit funds into the account of someone else. Following the receipt of the instructions, the processing entails basic information processing, ensuring the transfer of funds from the client's account to the account number provided by the customer. In this situation, neither the customer nor the recipient must be present. It is only the information that is required. As a result, it is a sort of information service processing.

Overall, there are four types of service processing, and a service firm will fall into one of these categories.

**b) Levels of Customer Contact**

The difference between the 3 levels of contact (High, Medium and low has been displayed in Figure 3. 4.

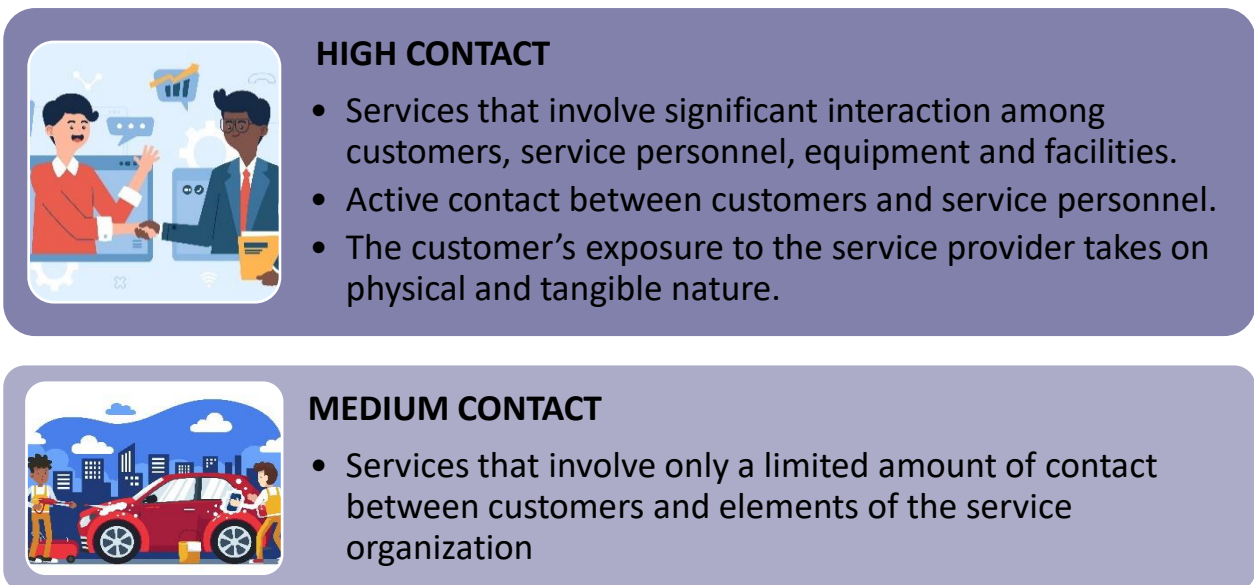


Figure 3.4 Levels of Contact (Cont.)



**LOW CONTACT**

- Services that require minimal or no direct contact between customers and the service organization.
- Little or no physical contact with service personnel.
- Contact usually at arm's length through electronic or physical distribution channels.
- New technologies help reduce contact levels.

Figure 3.4 Levels of Contact (Cont.)

**c) Service as a System**

The types of relationship a services business has with its customer and the kinds of misbehaviors that will be encountered during services delivery depend to a great extent on the level of contact customers have with the firm. Service as a system includes:

- i. Service Operation system
- ii. Service Delivery system
- iii. Service Marketing system

**i. Service Operation System**

This is the location where inputs are processed and service elements are produced. The technical core is often located behind the scenes and out of sight of the customer (for example, consider the kitchen in a restaurant). In this section, you will find information about the components of the overall services system, including how input is handled and how the elements of the services product are formed. Service operation system has been divided into front and backstage.

**Front Stage :** When we say visible, we are referring to those aspects of service operations and delivery that are visible or otherwise obvious to the consumer . Example of valet parking: greet the customer and get the keys to the vehicle.

**Back Stage:** The term "invisible" refers to aspects of service operation that are not visible to the customer. As an illustration, valet parking entails transporting the vehicle to a parking area.

There are three levels of contact in service operation system:

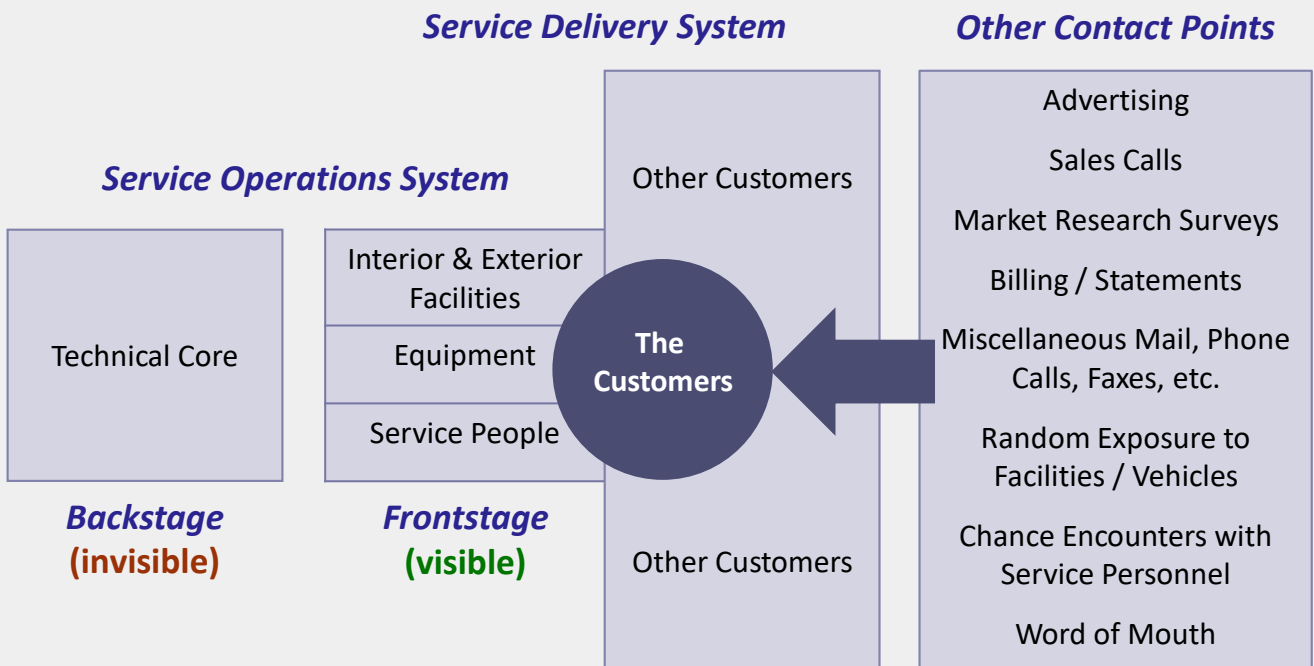
- High** - Contact services directly involve in physical person of the customer “ customer must enter the service factory”
- Medium** - Contact Services require customer to be less substantially involved in services delivery.
- Low** - Contract Services strive to minimize customer contact with the services provider so most system involved in backstage.

## ii. Service Delivery System

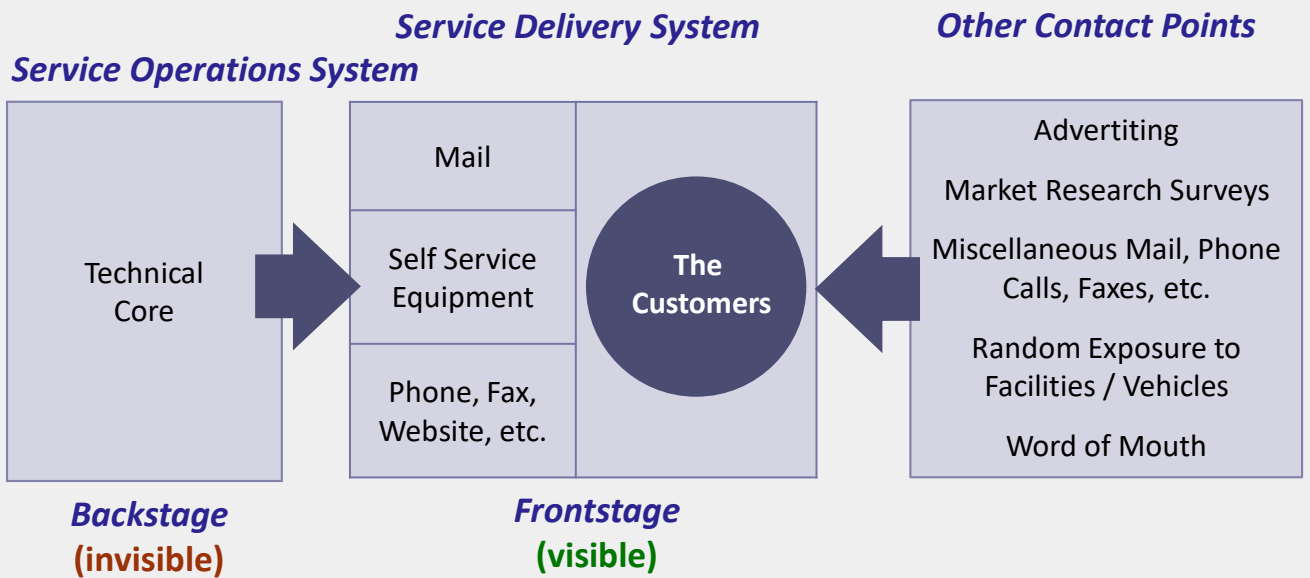
The visible component of the operations is included in the complete service system's final assembly and delivery of the element to the customer. Service delivery is concerned with how, when, and where a service or product is given to a consumer. Self-service machines like gas pumps and ATMs, which can be installed anywhere and made available 24 hours a day, seven days a week, offer greater convenience than face-to-face communication.

**iii. Service Marketing System**

Service marketing system includes service delivery (as described above) and all other interactions between a service firm and its clients. There is a component of a whole service system that incorporates all contact the company has with its consumers from advertising to billing, everything that happens between a service provider and a consumer, including service delivery and other interactions (Figure 3.5).



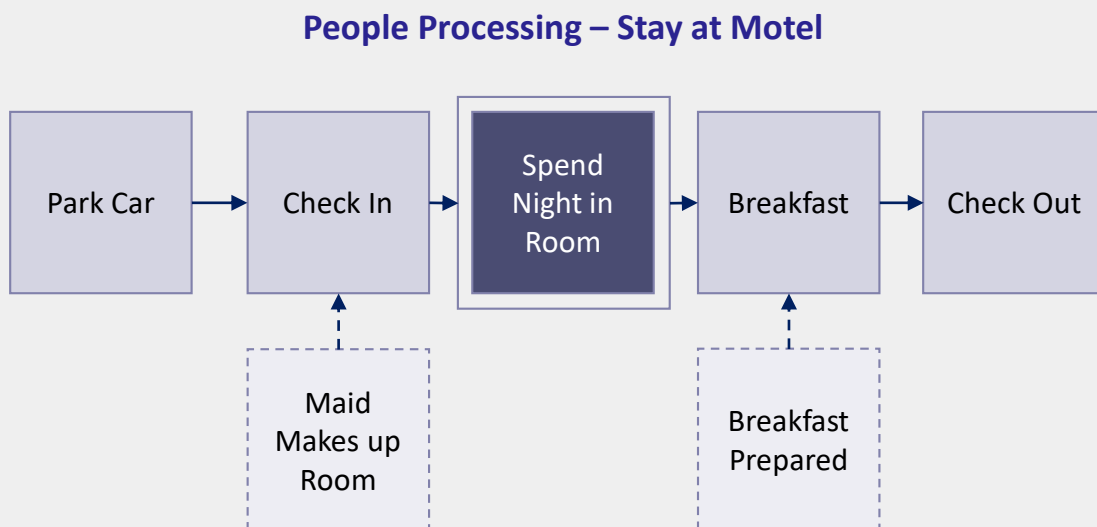
**Figure 3.5a Service Marketing System**  
High Contact Service- Hotel



**Figure 3.5b Service Marketing System**  
Low Contact Service –Credit Card

**d) The Flowchart of Service Experience**

The customer service process flow chart should allow the development of the basic structure for customer relation management. Similarly, you should ensure that you can monitor the contacts of users (Figure 3.6).



**Figure 3.6a Flow chart of Service Process**



**Possession Processing – Repair a DVD Player**

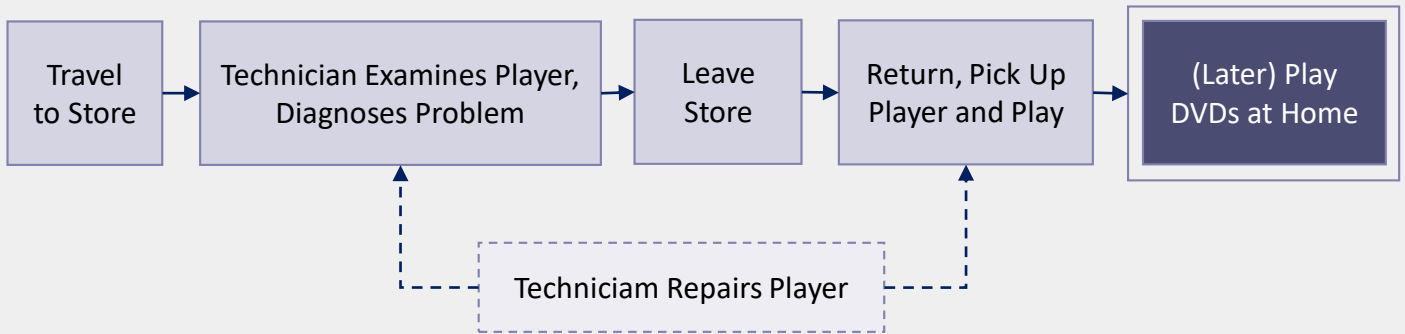


Figure 3.6b Flow chart of Service Process

**Mental Stimulus Processing – Weather Forecasting**

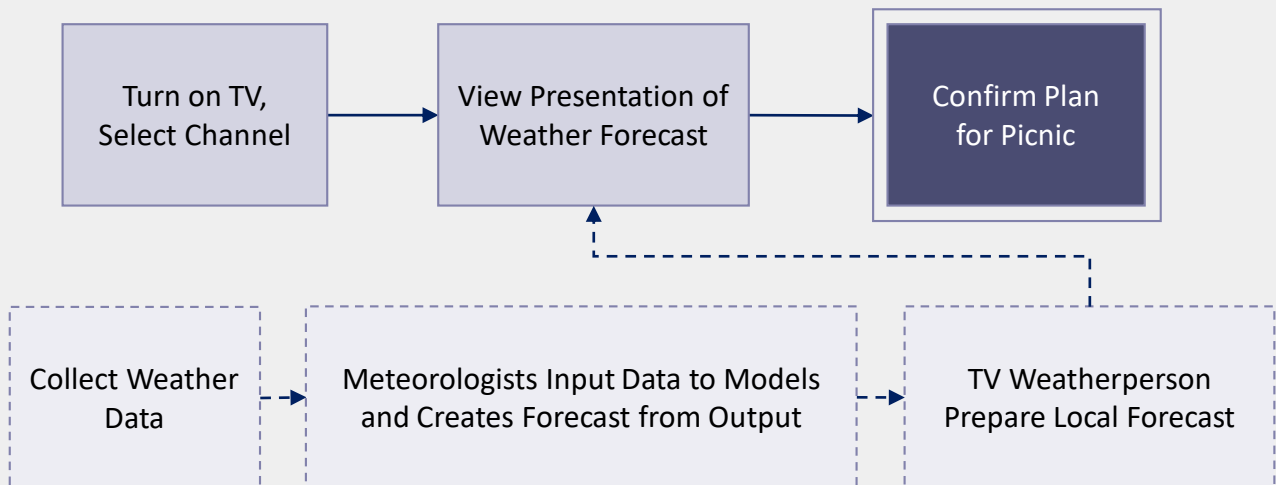


Figure 3.6c Flow chart of Service Process

**Information Processing – Health Insurance**

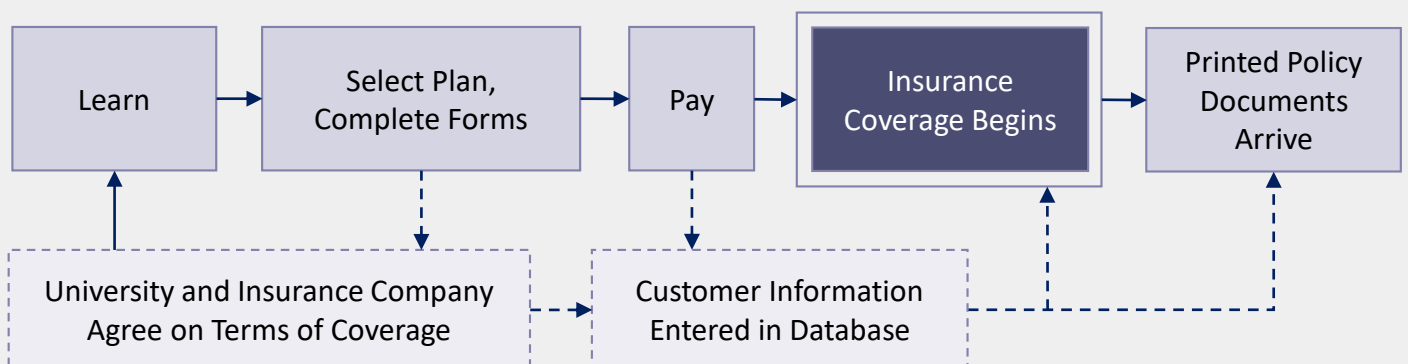
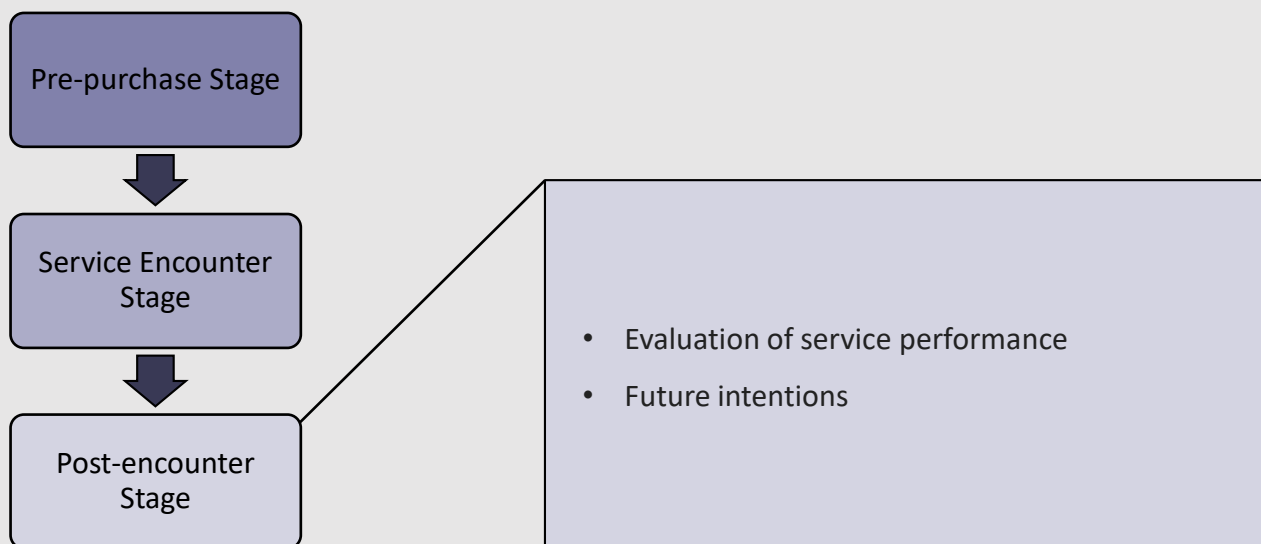


Figure 3.6d Flow chart of Service Process

### 3.1.3 POST ENCOUNTER STAGE

It is in the post-experience stage of service consumption that consumers' behaviour and attitudes toward the service are examined (Figure 3.6). Consumer satisfaction and perceived service quality have dominated studies at this point in the service consumption process because of their connection to corporate performance (Brady and Robertson 2001).



**Figure 3.6 Post Encounter Stage**

Source: Christopher Lovelock and Jochen Wirtz (2009)

Customers' attitudes toward a service purchase or series of service contacts are measured by how satisfied they are with the service. In the event that customers have expectations prior to consumption, examine service performance and make a comparison with the expectations of those customers.

The following comparison is used to make satisfaction judgments:

- i. Positive disconfirmation: (if the service is better than expected)
- ii. Confirmation : (if it is as expected)
- iii. Negative disconfirmation : (if it is worse than expectation)

**PART 1: STRUCTURED QUESTION**

Answer all the questions.

- 1) Write the correct answer for the black box to show your understanding on the different process categories.


		WHO OR WHAT IS THE DIRECT RECIPIENT OF SERVICE	
		Directed at people	Directed at Possession
WHAT IS THE NATURE OF THE SERVICE ACT	1	3 Eg: airline, hospital, haircutting, restaurants hotels, fitness centers	5 E.g., freight, repair, cleaning, Indscaping, retailing, recycling
	2	4 E.g, broadcasting, consulting, education, psychotherapy	6 E.g., accounting, banking, insurance, legal, research

**PART 2: STRUCTURED QUESTION**

Answer all the questions.


- 1) Explain service encounters
- 2) A service can be classified according to its process category. Categorize the FOUR (4) service processes based on the following:
  - a) Name each service process category.
  - b) The nature of act for each service process category.
  - c) ONE (1 ) example of service for EACH service process category





*“Quality in a service or product  
is not what you put it.  
It is what the client or  
customer gets out of it*

Peter F. Drucker



# **ANSWERS**

## **ENRICHMENT**

## **ACTIVITIES**



## CHAPTER 1

### INTRODUCTION TO SERVICES MARKETING

#### PART 1:

- |                       |                                    |
|-----------------------|------------------------------------|
| a. Ownership          | f. Evaluate                        |
| b. Intangible         | g. Inventories                     |
| c. Customer           | h. Time                            |
| d. Product experience | i. Electronic and physical channel |
| e. Variability        |                                    |

#### Part 2:

##### 1) Define services.

Services are economic activities provided by one party to another, most frequently including time-based performances to achieve desired outcomes in receivers or in goods or other assets held by purchasers.

##### 2) What are the eight common differences between products and services?

Most service products cannot be inventoried, intangible elements usually dominate value creation, services are often difficult to visualize and understand, customers may be involved in co-production, people may be part of the service experience, operational inputs and outputs tend to vary more widely, the time factor frequently assumes great importance, and distribution may take place through non-physical channels.

##### 3) Describe the seven Ps of service that would be involved in a banking service.

Product elements of banking would include aspects like checks and plastic ATM cards. Place and time would concern issues of teller and office accessibility along with 24-hour access to ATMs for certain smaller transactions. Price and user outlays would include costs incurred traveling to the bank or ATMs and making trade-offs with fees incurred from out of network bank use. Promotion and education include television commercials, free checking offers, and notifications of account changes in the mail. Physical environment aspects include facility layouts and tellers dressing in business attire. Process elements include efficient and correct handling of transactions by both employees and ATMs. Finally, people aspects include the friendliness of tellers and other customer service representatives, as well as other customers.



## CHAPTER 2

### CREATING THE SERVICE PRODUCT

#### PART 1:

1.C	6.A
2.A	7.B
3.A	8.B
4.C	9.C
5.A	10.C

#### Part 2:

##### 1) Describe the FOUR (4) types of “exceptions” listed in the chapter.

- Special requests are one type of exception. These involve a departure from normal operating activities and are common in travel and hospitality industries.
- Problem-solving refers to an exception where normal service fails to run smoothly as a result of accidents, delays, etc.
- Handling of complaints/complements/suggestions help service providers react quickly to failures and thrive off of complements.
- Restitution is the final type of exception listed. This involves repaying customers for severe performance failures.

##### 2) Explain how the core product, supplementary services, and delivery processes are integrated in the context of an overnight hotel stay.

- a) The core product offering is the leasing of a bedroom for the night. It has four components:
  - service level (e.g., luxury vs. economy),
  - scheduling (how long the room is available),
  - process type (in this example, people processing), and
  - the customer's participation in room consumption.
- b) Parking, room service, reservations, and a breakfast buffet are all available as Supplementary services.
- c) The core as well as the supplementary services are delivered.

## CHAPTER 2

### MODEL OF SERVICE MARKETING

#### PART 1:

1. Tangible action
2. Intangible action
3. People processing
4. Mental stimulus processing
5. Possession processing
6. Information processing

#### Part 2:

##### 1) Explain service encounters

A service encounter is a period of time during which customer interact directly with a service

##### 2) A service can be classified according to its process category. Categorize the FOUR (4) service processes based on the following:

###### a) Name each service process category.

- People processing
- Possession processing
- Mental stimulus processing
- Information processing

4 categories  
service process

###### b) The nature of act for each service process category.

- People processing
- Possession processing
- Mental stimulus processing
- Information processing

1. Tangible  
2. Tangible  
3. Intangible  
4. Intangible

###### c) ONE (1) example of service for EACH service process category

Students can choose Any of service firm related to each of service process category.

Example : Beauty and Spa for People processing service process category.

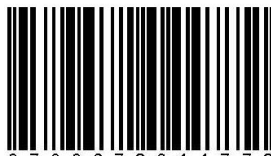
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