

Chapter 7
Service Marketing

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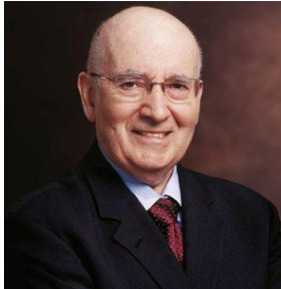
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Learning Objectives

- Discuss the concept and nature of services
- Describe the characteristics of services
- Examine various developments in the services sector
- Explain the management of service marketing mix
- Describe the concept of services marketing
- List the methods of managing service quality
- Discuss gap models in service quality along with SERVQUAL
- Describe the concepts of service quality, customer satisfaction and customer value



Concept and Nature of Services



Philip Kotler defines service as *any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be linked to a physical product.*

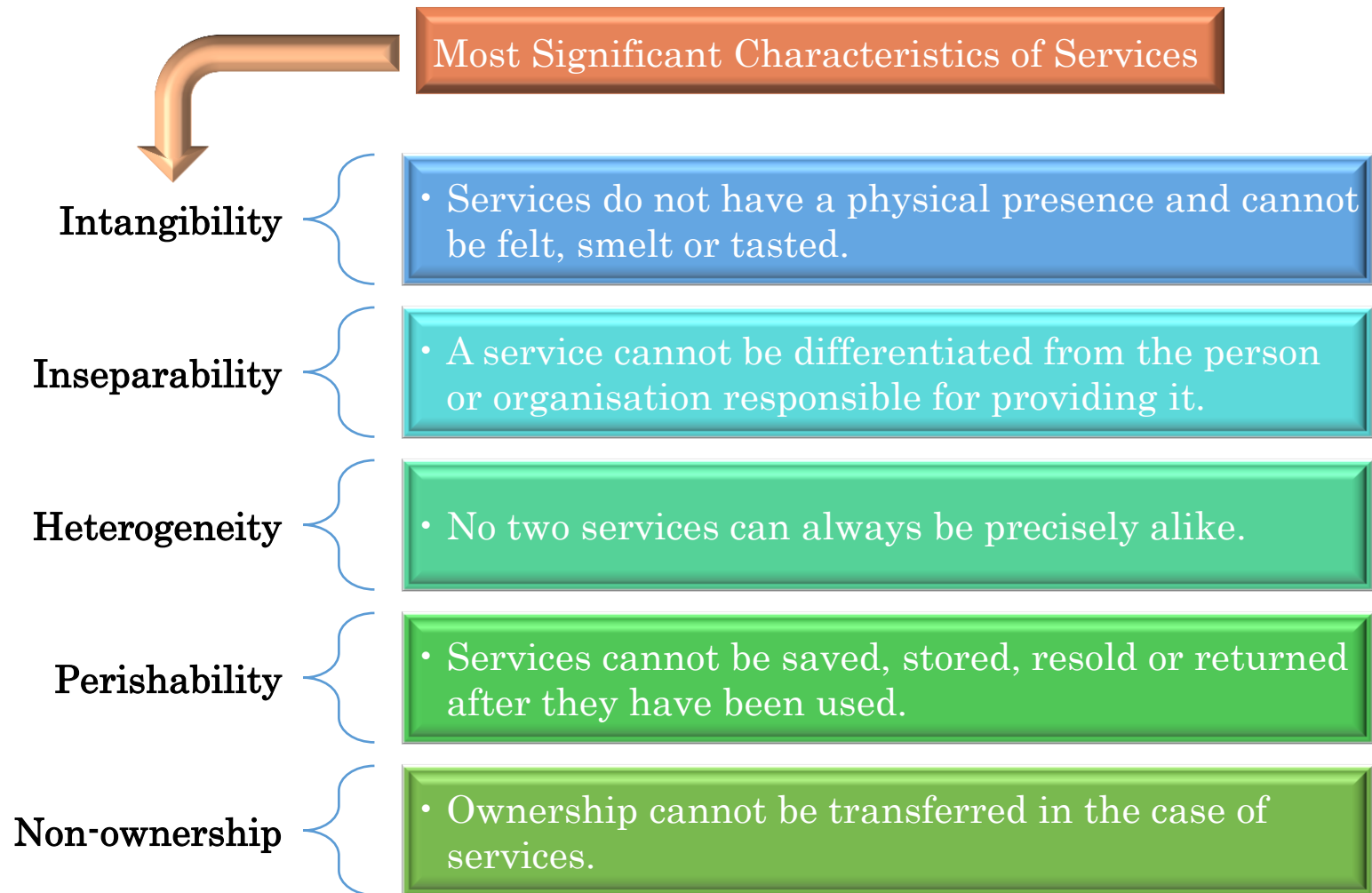
Services are intangible, inseparable, perishable and variable products, often in a form of a promise.

The quality of service is determined by the expectations of customers with service and the actual service they get.

Services comprise soft parts or intangible products, such as knowledge, attention, advice, and experience that improve the productivity and performance of the product.



Characteristics of Services



Development in the Service Sector

The services sector has created job opportunities in several sectors, like tourism, education, distribution, telecommunication, financial services and transportation, and helped the Indian economy to export services.

Opportunities are also rising in health, tourism and IT sectors.

In many nations, growth of primary and secondary sectors is directly dependent on the growth of the services sector.

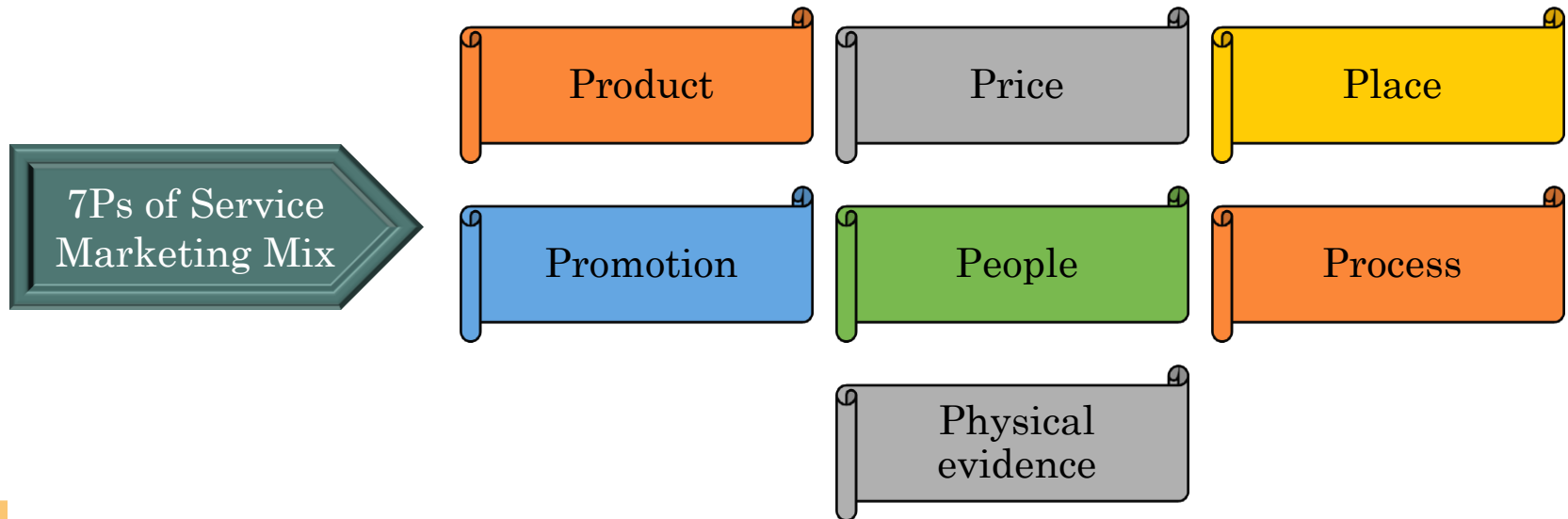
The Indian service sector in sync with global trends has experienced a massive growth and contributed to employment and national income.



Managing Service Market Mix

Various marketing activities are used to promote and sell a product in the market and are known as a marketing mix.

This general term can be extended to include a combination of marketing activities to promote and sell services, as opposed to tangible products. Such marketing activities are termed as service marketing mix.



Concept of Services Marketing

Service marketing is the process of researching and promoting an intangible product to the market.

Features of Service Marketing



Service marketing focuses on selling services.

Service marketing is an integrated process by which an organisation creates customer interest in services.

Service marketing focuses on making strategies related with sales techniques, communication and business development.

Service marketing includes issues related with marketing activities like what is being offered, what is the price, how it compares to similar services and why customers should select a particular service over other options.



Service marketing serves the following purposes in organisations:

Maintaining relationships

- Relationships are a key factor when it comes to marketing of services. Relationships helps in building a long lasting relationship which would lead to repeat sales, goodwill and positive word of mouth.

Creating multiple touch points

- Services marketing involves many touch points for consumers.

Making services proliferate

- Consumers have many service options to choose from

Customer retention

- As competition becomes more intense, multiple service providers struggle for a limited pool of customers. In fact, retaining old customers is even more important than attracting new ones.



Managing Service Quality

Service quality relates to providing a total experience rather than only basic services.

According to **ISO 9000**, Quality is a degree to which a set of inherent characteristics fulfil the requirements.

According to **Paraguayan and Berry**, quality is exceeding what customers expect from the service.

In order to provide consistent quality services to customers, organisations are required to measure the existing and desired quality of services.

Service quality can be measured by determining the difference between service expectations and services actually experienced by customers.



Gap Models in Service Quality

The gap between what a customer expects from the service and what they think they have got is called a **perception gap**.

Organisations use service quality models that capture and define service quality. They are also called **gap models**.

Gap 1: Customer gap

It refers to the difference between what customers expect from the service and what management believes customers expect from the service.

Gap 2: Knowledge gap

Supports managerial decision making. For example, a sales manager can set sales targets for the coming year by considering current market conditions



Gap 3: Delivery gap

Another reason for customer gap is a delivery gap. This refers to the difference between service quality specifications for a service and delivery of those specifications by the service provider.

Gap 4: Communication gap

This is the difference between service that was delivered and the what was promised to the customer by the organisation.

Gap 5

It refers to the sum of gaps from one to four and the overall comparison of what customers expected and their perception of the service they received from the service provider.



SERVQUAL

The SERVQUAL instrument is based on five service quality dimensions – together known as the RATER framework.

R: Reliability

The service offered by an organisation needs to meet the expectations of customers consistently.

A: Assurance

Service personnel should have a thorough knowledge of the service they are providing to customers.

T: Tangibles

While the nature of services is intangible, there are certain tangible aspects of services that customers can measure.

E: Empathy

The service personnel of an organisation should be accessible and open to communication.

R: Responsiveness

Service personnel should be prompt in attending to customers and serving their requirements.



Service Quality, Customer Satisfaction and Customer Value

Customer satisfaction may be defined as creating a high value experience with each aspect of the product or service.

The three conditions that define the performance of the product or service and customers' satisfaction level are:

1. If the performance of the product or service does not meet the expectation level of customers, they feel dissatisfied.
2. If customers get the performance level that they expected from the product or service, it generates satisfaction.
3. If customers get more than they expected from the product or service, then they feel highly satisfied or delighted.



Customers can be retained by delivering high quality customer value that could generate total customer satisfaction.

Taking feedback about customer satisfaction should be practiced as a regular part of the business in order to measure the performance of service standards.

In order to gain high customer value (CV), organisations tend to maintain high service quality standards.

Zeithaml (1988) defined customer value as the consumers' overall assessment of what is received relative to what is given.



Thank You