

SERVICES **MARKETING** **DPM 50123**

**COMPILATION
OF
NOTES**

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Services Marketing DPM50123

First publish 2023

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Publish by Politeknik Tuanku Sultanah Bahiyah

e-ISBN

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Publish by:

Politeknik Tuanku Sultanah Bahiyah

Kulim Hi Tech Park

09000 Kulim

Kedah Darul Aman

Website : <https://ptsb.mypolycc.edu.my>

ACKNOWLEDGEMENT

We would like to earnestly acknowledge the sincere efforts and valuable time given by our Head of Commerce Department, Mr Mohd Fahmee B Bahauddin for his valuable guidance and feedback has helped us in completing this E-book.

We also would like to mention the support system and consideration of our spouse, children, parents, family and friends who have always been there in our life.

Without them, we could never had completed this E-book.

Thank you so much.

ABSTRACT

SERVICES MARKETING covers the basic concept of services marketing, the nature of services, marketing mix for services, service encounter, service quality and productivity.

Topics include characteristics of service products, consumer behavior in service settings, service quality and roles of technology in services.

ABOUT THE AUTHOR

HI, I'M

Mohd. Huzaimi

Hello there!



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HI, I'M

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*Here is a little bit more info about me,
it's nice to meet you!*



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DPM50123: SERVICES MARKETING

CHAPTER 1: INTRODUCTION TO SERVICES MARKETING

CHAPTER OUTLINE

- 1.0 Introduction to Services Marketing
- 1.1 Provide information on services marketing
- 1.2 Expose forces that are transforming service markets
- 1.3 Expose the features/characteristics of services
- 1.4 Derive the basic differences between services and goods
- 1.5 Examine services marketing mix

MARKETING OF SERVICE

Define services marketing

- Economic activities/performances offered by one party to another in exchange for money, time & effort without the transfer of ownership (Lovelock & Wirtz, 2011)
- P. Kotler suggested that "service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".

PRINCIPAL INDUSTRIES IN THE SERVICE SECTOR INCLUDE:

- Business & professional services
- Finance, insurance & real estate services
- Wholesale and retail trade
- Transport, utilities & communication services
- Healthcare services
- Arts, entertainment, recreation, accommodation & food services
- Government services
- Education



FACTORS STIMULATING THE TRANSFORMATION OF THE SERVICE ECONOMY

- Factors that are driving the rapid growth of the service sector
 - Government policies
 - Social changes
 - Business trends
 - Advances in Information Technology
 - Globalization

GOVERNMENT POLICIES:

It is Govt. which makes mandatory for price levels, distribution strategies, defining procedure attributes.

Another important action taken by the Govt.'s "Privatization" means the policy of transform companies.

The transformation of such operations like telecoms, airlines has led to restructuring cost cutting and more market focused.

SOCIAL CHANGES

Now a day there is a drastic change, two members are working, which requires to hire individuals to perform tasks that used to be performed by a house hold member.

E.g. Child care

Laundry

Food preparation

Combinations of changing life styles like

√Higher income

√Declining prices for many high technology products –made for people to by computers.

√Mobile phone etc.

BUSINESS TRENDS

Manufacturers add value through service and sell service.

Franchising has become wider spread in many service industries.

Licensing of independent entrepreneurs to produce and sell a branded service according to tightly specified procedures.

ADVANCES IN IT

Changes come from the integration of computers and telecommunication

More powerful software enables firm to create databases that combine information about customers with details of all their transaction, so that they can be used to predict new trends, segment the market, new marketing opportunities.

The creation of wireless networks and transfer of electronic equipment such as cell phones to lap tops and scanners, to allow sales and customer service personnel to keep in touch.

INTERNATIONALISATION AND GLOBALIZATION

A strategy of international expansion may be driven by a sector for new markets or by the need to respond to existing customers who are traveling abroad in greater numbers.

When companies set up operations in other countries they often prefer to deal with just a few international suppliers rather than numerous local firms.

The net effect is to increase competition and to encourage the transfer of innovation in both products and processes from country to country.

ROLES OF TECHNOLOGY IN SERVICES

INCREASED
PRODUCTIVITY

ENHANCE
DECISION
MAKING

IMPROVING
THE DELIVERY
OF SERVICE-
THROUGH
INTERNET

MARKET
SPACE
VS
MARKET
PLACE

INCREASED PRODUCTIVITY

- Many successful business utilize powerful tools and application s that enable them to streamline complex workflows and processes and have features and capabilities that facilitate repetitive and time consuming task
- Will run more efficiently and effectively

ENHANCE DECISION MAKING

- Decision support system (DSS) and Artificial Intelligence (AI) system, the combination these IT systems help to create information through online analytical process (OLAP) to facilitate decision making task that might require significant effort and analysis.
- Decision support systems (DSS) this is highly flexible and interactive IT system that is designed to support decision making when the problem is not structured.
- Group decision support systems (GDSS) this is a type of decision support system that facilitates the formulation of and solution to problems by a team.

IMPROVING THE DELIVERY OF SERVICES THROUGH INTERNET

- Can help to provide key advantages to businesses in engendering customer loyalty by improving customer service. Providing areas in your website where customer can answer their own questions or seek answer from others.
- Better managing customer relationship with more sophisticated data gathering tools.

MARKETSPACE VS MARKETPLACE

Marketspace

- A virtual location where suppliers & customers meet to do business
- Relatively low initial startup cost
- Information & mental stimulus processing
- No physical contact

Marketplace

- A physical location where suppliers & customers meet to do business
- Lots of cost incurred e.g. rent, utility bills, etc.
- People & possession processing
- Physical contact exists

MAIN FEATURES OF SERVICE (PIVIO)

- Perishability
- Intangibility
- Variability
- Inseparability
- Ownership

PERISHABILITY

- Inability of the service to be inventoried or stored.
- The service will be given when it is requested/needed, **NOT prior or after the purchase**
- e.g.: when you get a haircut, your hair will be cut off at the scheduled time, however if you missed your appointment, then you must reschedule it and the missed appointment (time) cannot be reversed

INTANGIBILITY

- Lack of tangible assets which can be seen, touched or smelled prior to purchase
- Some services offer tangible products with their service but the service is still intangible because consumers are purchasing the services, not the goods
- e.g.: getting haircut ~ you can see the scissors (goods) cut off the hair but you paid for the way you hair looks after the haircut (intangible)

INSEPARABILITY

- Simultaneous production and consumption of a service.
- Goods can be produced and then sold at a later time; services cannot.
- The service must be performed and consumed at the same time, the quality of interaction between the service provider and the customer.
- e.g.: when you get a haircut, your hair will be cut off on the time when you actually sit on the hairdresser's chair

VARIABILITY

- Random levels of service quality that customers receive when they patronize a service firm.
- Variability is primarily caused by the human element, although machines may malfunction causing a variation in the service.
- e.g.: you will not get the same degree of hospitality as the customer next to you receives from the same hairdresser OR hairdresser A's service quality is not the same as the service quality offered by hairdresser B

OWNERSHIP

- The final distinguishing feature of a service is that, unlike a physical product, the customer does not secure ownership of the service.
- The customer only pays to secure access to or use of the service. For examples, the hotel room and airplane ticket.

DIFFERENCES BETWEEN SERVICE & PRODUCTS

DIFFERENCE	SERVICE	PRODUCTS
Inventory	Most service product cannot be inventoried	Most product can be inventoried
Value creation	Intangible element dominate value creation	Tangible element dominate value creation
Visualization& understanding	Difficult	Easy
Customer involvement	May be involved in co-production	No
Service experience	People may be part of service experience	No
Operational inputs & outputs	Vary more widely	Standardized
Time factor importance	Great important	No real emphasize
Distribution	May take place thru non physical channel	Use physical channel to distribute product

THE SERVICES MARKETING MIX

- Product
- Place
- Promotion
- Price
- Physical Environment/Evidence
- Process
- People
- Productivity And Quality/ Performance

PRODUCT

- In case of services, the 'product' is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable.
- It include its core product/services, supplementary services, facilitating services and supporting services.

PRICING

- Pricing of services is tougher than pricing of goods. While the latter can be priced easily by taking into account the raw material costs, in case of services attendant costs – such as labor and overhead costs – also need to be factored in.
- Thus a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark up for an adequate profit margin.

PLACE

- Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product assumes importance. Service providers have to give special thought to where the service would be provided. Thus, a fine dine restaurant is better located in a busy, upscale market as against on the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city.

PROMOTION

- Since a service offering can be easily replicated promotion becomes crucial in differentiating a service offering in the mind of the consumer. Thus, service providers offering identical services such as airlines or banks and insurance companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

THE EXPANDED
MARKETING MIX FOR
SERVICES: 4 MORE PS

PEOPLE

- All humans who play a role in service delivery and who influence the perceptions of customers (Zeithaml and Bitner, 1996)
- Service delivery employees (front-line staff)
- The general staff of the service company
- The customer
- The other customers that are present in the servicing and delivery process

PHYSICAL EVIDENCE

- The setting where the service is delivered (Zeithaml and Bitner, 1996)
- Where the service company and the customer interact
- Any tangible components that facilitate performance or communication of the service
- Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn.

PROCESS

- The actual procedure, mechanisms and flow of activities through which a service is delivered (Zeithaml and Bitner, 1986)
- The dimensions of a process's efficiency and effectiveness:
 - Length: the number of steps that participants have to follow in order to effect service delivery
 - Duration: the time that elapses from the first to the last activity of the service delivery process
 - Logistical effectiveness: the degree of smoothness in the flow of the steps of the service delivery process

PRODUCTIVITY & QUALITY

- Improving productivity is essential to any strategy for reducing costs, but managers must beware of making inappropriate cuts in service that will be resented by customers (and perhaps by employees, too).
- Improving quality, which should be defined from a customer perspective, is essential for product differentiation and for building customer satisfaction and loyalty

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CHAPTER 2 : CREATING SERVICE PRODUCT

SERVICE PRODUCT

- A service product comprises all elements of service performance, both tangible and intangible, that create value for customers.
- The service concept is represented by:
 - A core product,
 - Accompanied by supplementary services

DESIGNING A SERVICE CONCEPT

- Core Product
 - Central component that supplies the principal, problem-solving benefits customers seek
- Supplementary Services
 - Augment the core product, facilitating its use and enhancing its value and appeal

DESIGNING A SERVICE CONCEPT

- Service concept design must address the following issues:
 - How the different service components are delivered to the customer
 - The nature of the customer's role in those processes
 - How long delivery lasts
 - The recommended level and style of service to be offered

CORE PRODUCT & SUPPLEMENTARY SERVICE

- A service product comprises all of the elements of the service performance, both physical & intangible that create value for customers
- 3 components of service concept:
 - Core product
 - Supplementary services
 - Delivery processes

CORE PRODUCT

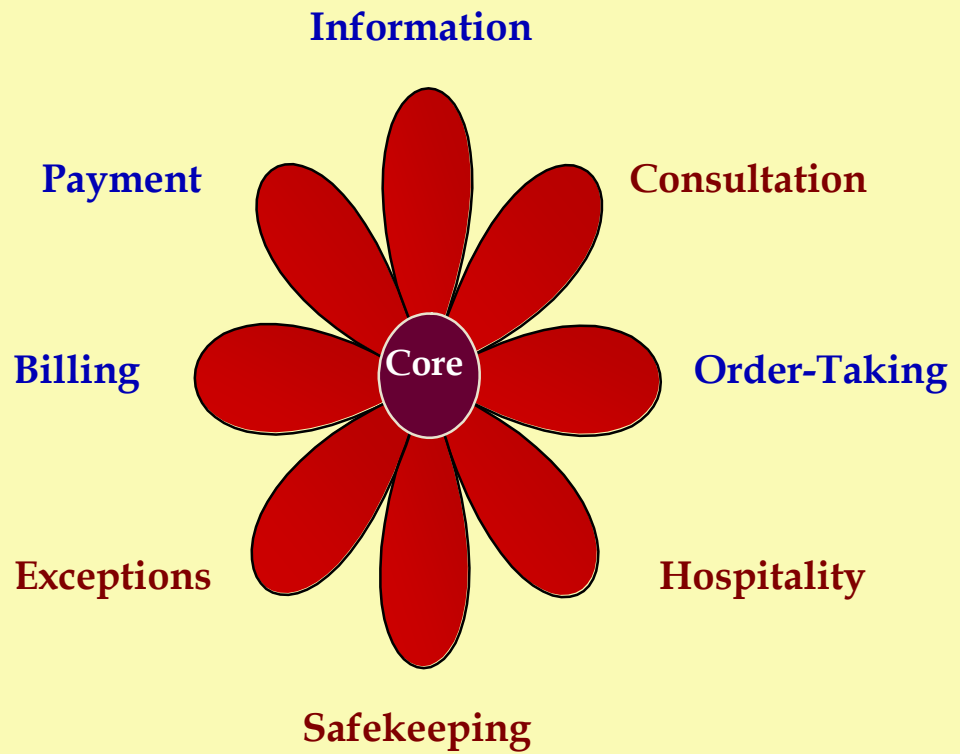
- The central component that supplies the principal, problem-solving benefits customer seeks
- Based on the core set of benefits & solutions delivered to customers
 - E.g. transport services solve the need to move a person or a physical object from 1 location to another

SUPPLEMENTARY SERVICES

- Supplementary services augment the core product, both facilitating its use and enhancing its value and appeal
- The extent and level of supplementary services often play a role in differentiating and positioning the core product against competing services
- Adding more supplementary elements or increasing the level of performance should be done in ways that enhance the perceived value of the core product for prospective customers and enable the service provider to charge a higher price

THE FLOWER OF SERVICE

- 2 kinds of supplementary services
 - Facilitating supplementary services
 - Enhancing supplementary services
- There are 8 clusters of service between these 2 supplementary services, which are displayed as petals surrounding the center of a flower (called the Flower of Service)
- The petals are arranged clockwise following the order of how they are encountered by customers
- The center of the flower represents the core product of service



KEY:

Facilitating elements

Enhancing elements

- Facilitating service ~ required for either service delivery or aid in the use of the core product
- Enhancing service ~ adds extra value for customers

FACILITATING

- INFORMATION
- ORDER TAKING
- BILLING
- PAYMENT

ENHANCING

- CONSULTATION
- HOSPITALITY
- SAFEKEEPING
- EXCEPTION

FACILITATING

- Information – customers often require information about how to obtain and use a product or service
 - Directions to service site
 - Schedules/service hours
 - Prices
 - Reminders
 - Warnings
 - Conditions of sale/service
 - Documentation
 - Confirmation of reservations
 - Receipts and tickets

FACILITATING

- Order-Taking – Customers need to know what is available and may want to secure commitment to delivery. The process should be fast and smooth.

Applications

- Memberships in clubs/programs
- Subscription services
(e.g., utilities)
- Prerequisite based services (e.g., financial credit, college enrollment)

Order Entry

- On-site order fulfillment
- Mail/telephone/e-mail/web order

Reservations and Check-in

- Seats/tables/rooms
- Vehicles or equipment rental
- Professional appointments

FACILITATING

- Billing – Bills should be clear, accurate and intelligible
 - Periodic statements of account activity
 - Invoices for individual transactions
 - Verbal statements of amount due
 - Self-billing (computed by customer)
 - Machine display of amount due

FACILITATING

- Payment – Customers may pay faster and more cheerfully if you make transactions simple and convenient for them

Self-Service

- Insert card, cash or token into machine
- Electronic funds transfer
- Mail a check
- Enter credit card number online

Direct to Payee or Intermediary

- Cash handling or change giving
- Credit/charge/debit card handling
- Coupon redemption

Automatic Deduction from Financial Deposits

- Automated systems (e.g., machine-readable tickets that operate entry gate)
- Human systems (e.g., toll collectors)

ENHANCING

- Consultation – Value can be added to goods and services by offering advice and consultation tailored to each customer's needs and situation

Customized advice

- Personal counseling
- Tutoring/training in product use
- Management or technical consulting

ENHANCING

- Hospitality – Customers who invest time and effort in visiting a business and using its services deserve to be treated as welcome guests

Greeting

Food and beverages

Toilets and washrooms

Waiting facilities and amenities

- Lounges, waiting areas, seating
- Weather protection
- Magazines, entertainment, newspapers

Transport

Security

ENHANCING

- Safekeeping – Customers prefer not to worry about looking after the personal possessions that they bring with them to a service site

Caring for Possessions Customer Bring with Them

- Child care, pet care
- Parking for vehicles, valet parking
- Coat rooms
- Baggage handling
- Storage space
- Safe deposit boxes
- Security personnel

Caring for Goods Purchased (or Rented) by Customers

- Packaging
- Pickup
- Transportation and delivery
- Installation
- Inspection and diagnosis
- Cleaning
- Refueling
- Preventive maintenance
- Repair and renovation

ENHANCING

- Exceptions – Customers appreciate some flexibility when they make special requests and expect responsiveness when things don't go according to plan

Special Requests in Advance of Service Delivery

- Children's needs
- Dietary requirements
- Medical or disability needs
- Religious observances

Handling Special Communications

- Complaints
- Compliments
- Suggestions

Problem Solving

- Warranties and guarantees
- Resolving difficulties that arise from using the product
- Resolving difficulties caused by accidents, service failures
- Assisting customers who have suffered an accident or a medical emergency

Restitution

- Refunds and compensation
- Free repair of defective goods

NEW SERVICE DEVELOPMENT / HIERARCHY OF NEW SERVICE CATEGORIES

- There are 7 categories of new service which are sorted according to a hierarchy, ranging from:
 - Style changes
 - Service improvements
 - Supplementary service innovations
 - Process line extensions
 - Product line extensions
 - Major process innovations
 - Major service innovations

STYLE CHANGES

- The simplest type of innovation; involving no changes in either processes or performance
- Highly visible, create excitement & motivate employees
- E.g.: changing corporate colors (Bank Islam), rearrange the internal layout of the store (commercial banks did this)

SERVICE IMPROVEMENTS

- Most common type of innovation
- Modest changes in the service performance
- Including core product improvement or existing supplementary service improvement
- E.g.: reduce waiting time for bank loan's approval from 1 week to 24-hour approval

SUPPLEMENTARY SERVICE INNOVATIONS

- Adding new facilitating @ enhancing service elements to an existing core service or significantly improving an existing supplementary service
- Can be low-tech innovation or multiple improvement
- E.g.: Air Asia offering insurance coverage for baggage loss (safekeeping element)

PROCESS LINE EXTENSIONS

- Less innovative than process innovations but represent distinctive new ways of delivering existing service, either with the intent of:
 - Offering more convenience & different experience for existing customers
 - Attracting new customers who find the traditional approach unappealing
- Adding lower-contact distribution channel to an existing high-contact DC
- E.g.: CDM in addition to queuing at bank's counter

PRODUCT LINE EXTENSIONS

- Additions to a company's current service lines
- First to add new service line = innovator; others = followers
- May be targeted at existing customers to serve a broader array of needs @ to attract new customers with different needs @ both
- E.g.: banks now offer will writing service

MAJOR PROCESS INNOVATIONS

- Using new processes to deliver existing core products in new ways with additional benefits
- E.g.: Money can be transferred abroad thru electronic banking & the recipient can almost instantly uses the money

MAJOR SERVICE INNOVATIONS

- New core products for markets that have not been previously defined
- Include both new service characteristics & radical new processes
- E.g.: Skype™ which takes online chatting service to a new level

SEARCHING FOR NEW IDEAS

- Company should conduct research if it is designing a new service from scratch to figure out the features & price that will create the best value for target customers
- Physical goods can be competitive substitute for service
- Many service can be built around providing alternatives to owning a physical good & enabling them to do the work themselves
- In general, new ideas for service can be found through:
 - ☐ Use of physical, durable goods
 - ☐ Supports for supplementary activities
 - ☐ Hazardous &/@ obsolete goods
 - ☐ Opportunity to add value & functionality of goods

RESEARCH IN DESIGNING NEW SERVICES

- Can lessened the risk of failure:
 - Not meeting a demonstrable consumer need
 - Inability to cover costs from revenues
 - Poor execution of ideas
- Underlying success factor is MARKET KNOWLEDGE
- 3 factors contributed most to success in order of importance:
 - Market synergy
 - Organizational factors
 - Market research factors

TRANSFORMING SERVICE TO PRODUCT

- The challenge is how to create a service & represent it in a “product” form.
- This is due to the fact that service is intangible in nature
- Hence, many SPs now provide tangible cues to represent the “product” form of their services
- E.g.: bank provides bank slip as proof for the service rendered

PLAN & MAKE PRODUCT BRANDING SERVICE

- More service businesses see their service offerings as products
- Product implies a defined & consistent “bundle of output” as well as the ability to differentiate 1 bundle of output from another
- Service variations can be classified into:
 - various “models” (e.g. McChicken, McNuggets)
 - a “menu” of products (e.g. DAT, DPR, DPM, etc.)
 - “packaged” & “branded” (e.g. “Heavenly Honeymoon”, “Spa Indulgence” by Banyan Tree Hotels & Resorts)

- Marketing, selling & delivery of service would not be effective if SP doesn't specify exactly the product's name & its meaning
- 4 broad branding alternatives to choose from:
 - **Branded house** (use a single brand to cover all)
 - **House of brands** (use a separate stand-alone brand for each offering)
 - **Sub-brands** (the corporate/master brand is the primary frame of reference but the product itself has a distinctive name)
 - **Endorsed brands** (the product brand dominates but the corporate name is still featured)
- Applying distinctive brand names to individual products enables firm to establish a mental picture of the service in customers' minds & to clarify the nature of the value proposition

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CHAPTER 3: MODEL OF SERVICE CONSUMPTION

CHAPTER OUTLINE

- 3.1 Demonstrate the three-stage model of service consumption
- 3.2 Demonstrate service encounter stage
- 3.3 Demonstrate post-encounter stage

3-STAGE MODEL OF SERVICE CONSUMPTION

- Also known as the purchase process for service
- Consists of:
 - Pre-purchase stage
 - Service encounter stage
 - Post-encounter stage

Pre-purchase stage

- Awareness of need
- Information search
- Evaluation of alternatives
- Make purchase decision

Service encounter stage

- Initiate
- Experience
- Consume

Post-purchase stage

- Evaluation of service performance
- Future intentions

PRE-PURCHASE STAGE

- Begins with *need arousal*(prospective customer's awareness of a need)
- Then he/she will finds info for solutions (alternatives) to satisfy the need
- All the alternatives will be evaluated to find the best alternative that would satisfy the need
- Needs are triggered by:
 - Unconscious minds (e.g. personal identity)
 - Physical conditions (e.g. hunger)
 - External sources (e.g. ads from fast food restaurant)

- If customer has several alternatives that he/she thinks among the best, this is called *evoked/consideration set*
- 2nd & the rest of the choices serve as back-up if the 1st is not available
- Alternatives are evaluated based on these attributes:
 - Search attributes
 - Experience attributes
 - Credence attributes

- Search attributes
 - Tangible characteristics customers can evaluate before purchase i.e. style, textures, taste etc
 - E.g. Ally choose Hilton Hotel because she is attracted to the pictures of the hotel
- Experience attributes
 - Can only be evaluated AFTER the purchase
 - Thus this applies when considering repurchase
- Credence attributes
 - Product characteristics that customer is forced to believe or trust to exist
 - Credence attributes are ones that are difficult to verify even after use
 - E.g. funeral services , medical procedures

SERVICE ENCOUNTER STAGE

- Period of time during which a customer interacts directly with a Service Provider(SP)
- Critical incidents: a specific encounter between customer & SP in which the outcome has proved especially satisfying/dissatisfying outcomes for 1 or both parties

- Contact may take the form of:
 - Personal exchanges between customers & service employees (high contact)
 - Impersonal interactions with machine or websites (low contact)
 - Moments of truth: a point in service delivery where customer interacts with service employees/self-service equipment & the outcome may affect perceptions of service Quality

SERVICE AS A PROCESS

- People, physical objects & data can be processed & the nature of the processing can be tangible or intangible
- Tangible actions are performed on people's bodies or to physical possessions
- Intangible actions are performed on people's minds or intangible assets
- 4 broad categories:
 - People processing
 - Possession processing
 - Information processing
 - Mental stimulus processing

Categorize Of Service Process

People processing

- Services directed at people's bodies
- Spending time , taking effort
- People must physically enter the service factory to obtain the desired benefits
- E.g.: passenger transportation, healthcare

Possession processing

- Services directed at physical possessions
- Involvement is limited.
- People are less physically involved
- E.g.: laundry, dry cleaning

Mental stimulus processing

- Services directed at people's mind
- Power to shape attitude and influence behavior.
- Anything that touches the people's minds & has the power to shape attitudes & influence behavior
- E.g.: education, psychotherapy

Information processing

- Services directed at intangible assets
- Information is the most intangible form of services output.
- Info is the most intangible form of service o/put but may be transformed into more enduring, tangible forms as letters, reports, CD-ROMs etc.
- E.g.: accounting, legal services

Levels Of Customer Contact

- Service encounter ranges from high contact to low contact
- High contact services:
 - Customer visits service factory (site) & remains throughout the process
 - Customer's exposure to the SP takes on a physical & tangible nature

- Low contact service
 - Little, if any, physical contact between customer & SP ~ at arm's length thru the medium of electronic or physical distribution channels
- Medium contact service is anywhere in the middle between high contact service & low contact service
 - Combine both personnel & equipment almost equally

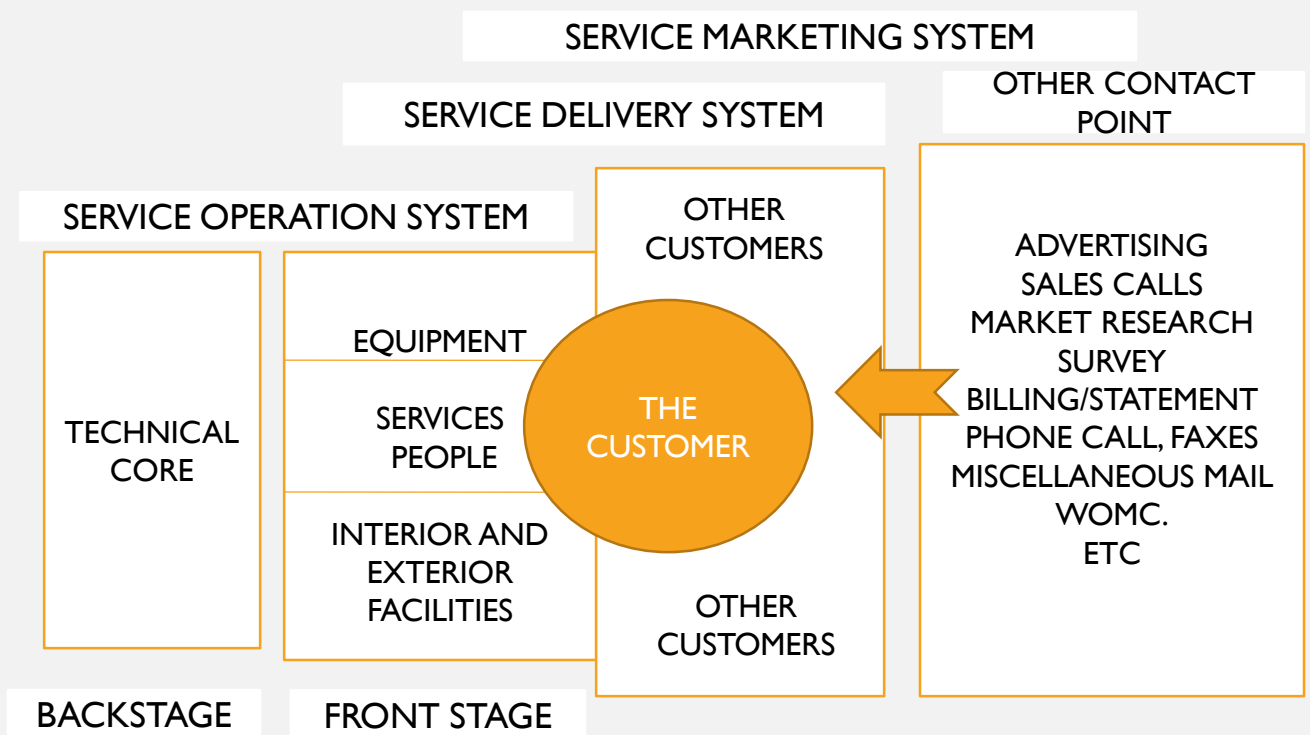
Service As A System

- A system that integrates marketing, operations & customers
- Servuction= service + production
- Part of the service organization's physical environment that is visible to & experienced by customers
- Consists of a technical core invisible to the customer & the service delivery system visible to & experienced by the customer

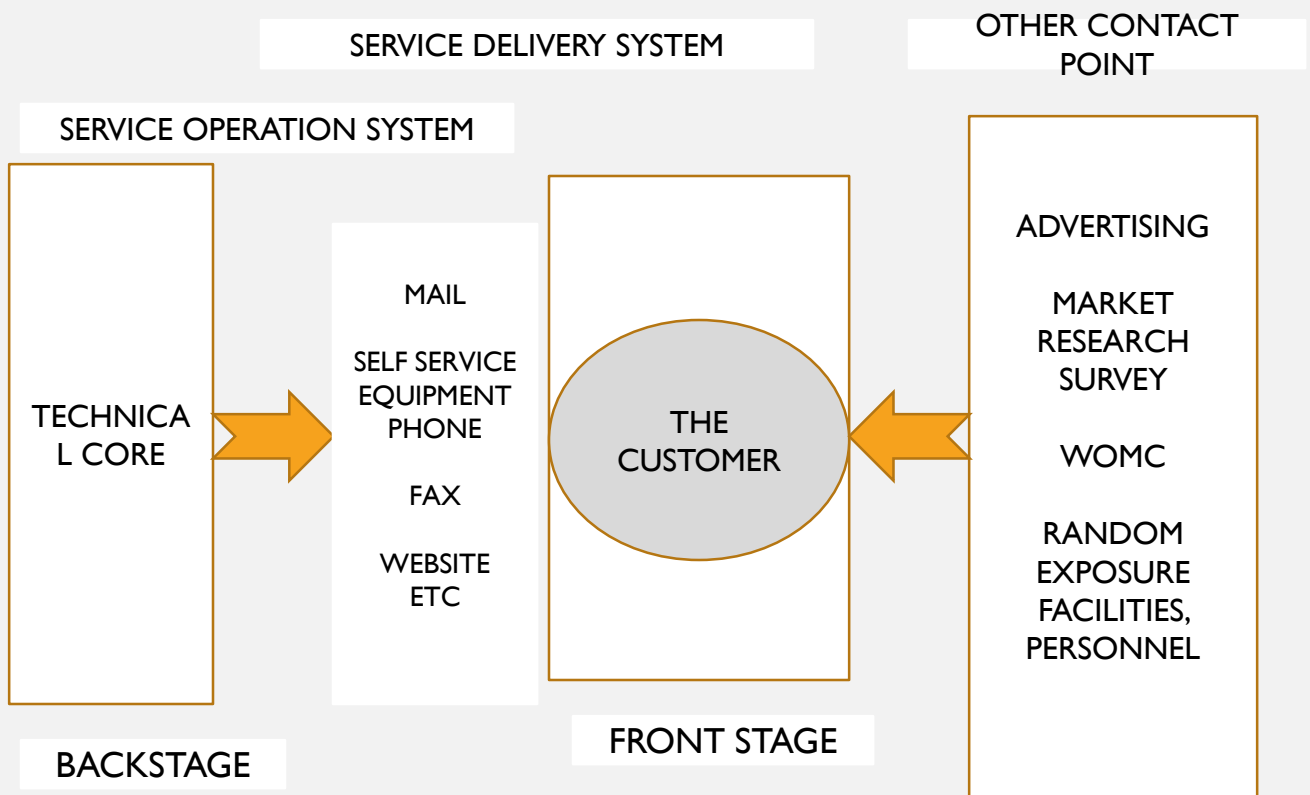
- Technical core
 - Where inputs are processed & the elements of the service product are created
 - In the backstage & invisible to the customer
- Service delivery system
 - Where the final “assembly” takes place & the product is delivered to the customer
 - includes the visible part of the service operations system (building, equipment & personnel) & possibly other customers
- Front stage/office ~ the visible component
- Back stage/office ~ the invisible component

- *Service Operations (backstage)*
 - Where inputs are processed and service elements created
 - Includes facilities, equipment, and personnel
- *Service Delivery (front stage)*
 - Where “final assembly” of service elements takes place and service is delivered to customers
 - Includes customer interactions with operations and other customers
- *Service Marketing (front stage)*
 - Includes service delivery (as above) and all other contacts between service firm and customers

Service Marketing System: (I) High Contact Service E.G. Hotel



Service Marketing System: (2) Low Contact Service E.G. Credit Card



Recall Game

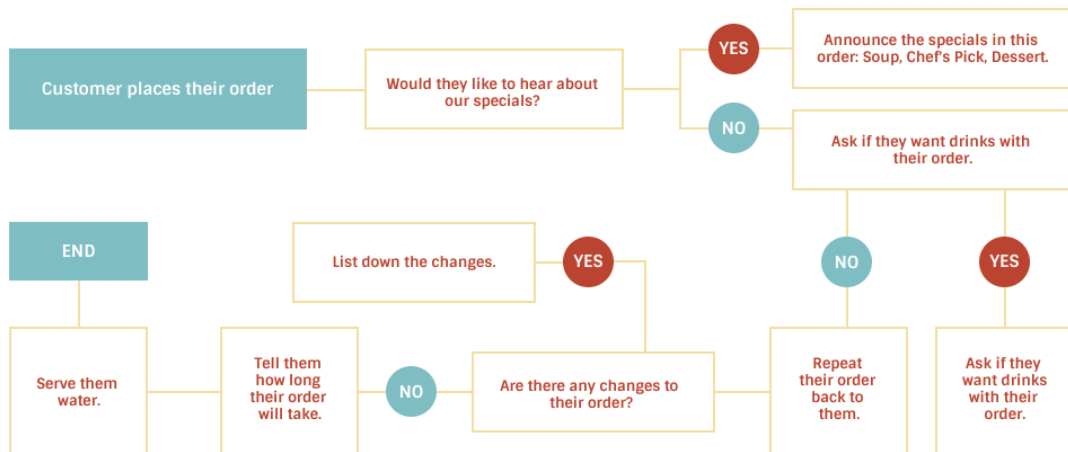


The Service Experience Flowchart

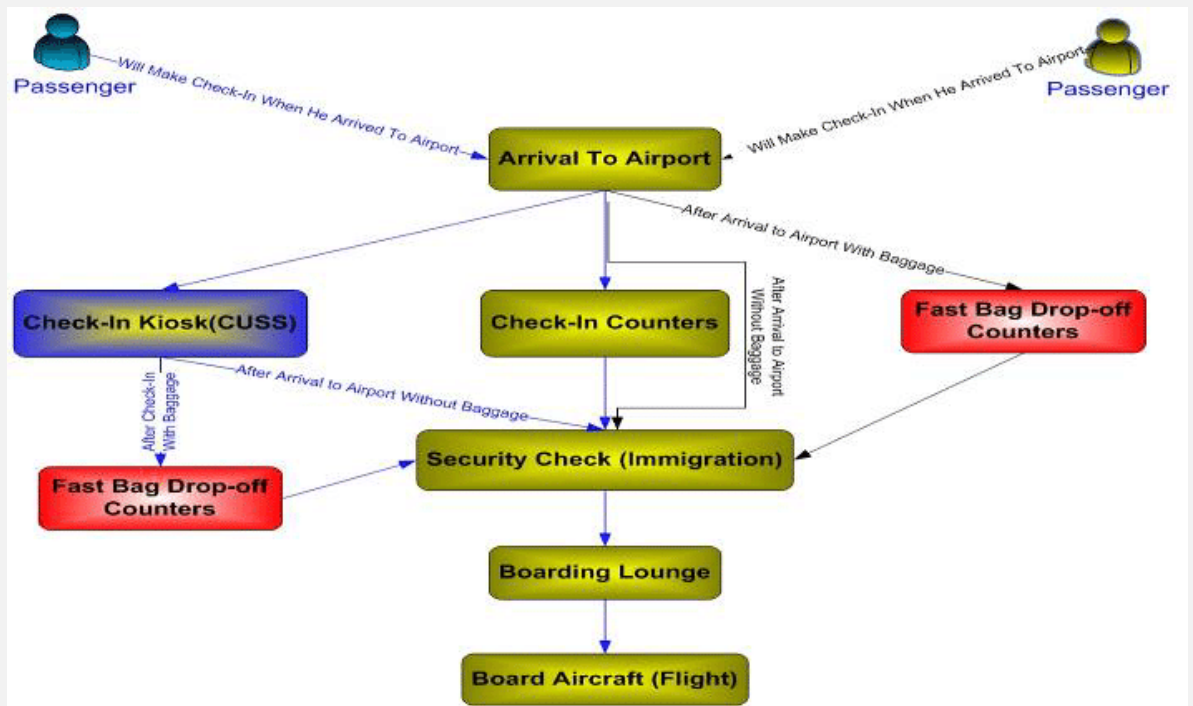
- Customer's perspective –services are experiences
- SP's perspective –services are processes that have to be designed & managed to create the desired customer experience
- Processes describe the method & sequence in which service operating systems work & specify how they link together to create the value proposition promised to customers
- Tool that can be used is flowchart.

RESTAURANT FOOD ORDERING FLOWCHART

DINA'S PIZZERIA



AIRLINE SERVICE FLOWCHART



Flowcharting

- Technique for displaying the nature & sequence of the different steps involved in delivering service to customers, offers an easy way to understand the totality of the customer's service experience
- Can gain valuable insights into the nature of an existing service
- Particularly useful for distinguishing between steps at which customer uses the core service & those involving service elements that supplement the core product

Possession Processing –Repair A DVD Player

POSSESSION PROCESSING - REPAIR A DVD PLAYER



POST-PURCHASE STAGE

- Customers evaluate the service performance they have received and compare it with their prior expectations.
 - Customer satisfaction with service experiences
 - Service expectations
 - Are expectations always the right comparison standard?
 - Customer delight
 - Links between customer satisfaction and corporate performance

DPM 50123 SERVICES MARKETING

CHAPTER 4 : SERVICE MARKETING PROGRAMME

CHAPTER OUTLINE

- 4.1 Organize the concept of costs and approaches to pricing
- 4.2 Demonstrate the communication mix for services
- 4.3 Demonstrate distribution services

KEY COST INCUR WHEN CUSTOMER USE THE SERVICE

- Reduce non-monetary costs
 - Time Costs
 - Physical Costs
 - Psychological (Mental) Costs
 - Sensory Costs (unpleasant sights, sounds, feel, tastes, smells)

THREE MAIN APPROACHES TO PRICING

- Cost-Based Pricing
 - Set prices relative to financial costs (problem: defining costs)
 - Activity-Based Costing
 - Pricing implications of cost analysis
- Value-Based Pricing
 - Relate price to value perceived by customer
- Competition-Based Pricing
 - Monitor competitors' pricing strategy (especially if service lacks differentiation)
 - Who is the price leader - does one firm set the pace?

ACTIVITY-BASED COSTING

- Activity-based costing is a costing method that identifies activities in an organization and assigns the cost of each activity to all products and services according to the actual consumption by each. Therefore this model assigns more indirect costs into direct costs compared to conventional costing.

THREE MAIN APPROACHES TO PRICING

Cost-Based Pricing

- Set prices relative to financial costs
- Activity-Based Costing
- Pricing implications of cost analysis

Value-Based Pricing

- Relate price to value perceived by customer

Competition-Based Pricing

- Monitor competitors' pricing strategy
- Dependent on the price leader

PRICING ISSUES: PUTTING STRATEGY INTO PRACTICE

- How much to charge?
- What basis for pricing?
- Who should collect payment?
- Where should payment be made?
- When should payment be made?
- How should payment be made?
- How to communicate prices?

- How much to charge?
 - Pricing tripod model is a useful to use for costs, price sensitivity of customers and competitors
 - Depends on whether discounts are offered
 - Any psychological pricing points used?

- What basis for pricing?
 - Completing a task
 - Admission to a service performance
 - Time based
 - Monetary value of service delivered (e.g., commission)
 - Consumption of physical resources (e.g., food and beverages)
 - Distance-based (e.g., transportation)

- Who should collect payment?
 - Service provider or specialist intermediaries
 - Direct or non-direct channels
- Where should payment be made?
 - Conveniently-located intermediaries
 - Mail/bank transfer
 - Credit card payment through internet, phone, fax

- When should payment be made?
 - In advance
 - Once service delivery has been completed
- How should payment be made?
 - Cash
 - Cheque
 - Charge Card (Debit / Credit)
 - Tokens or vouchers
 - Stored value card

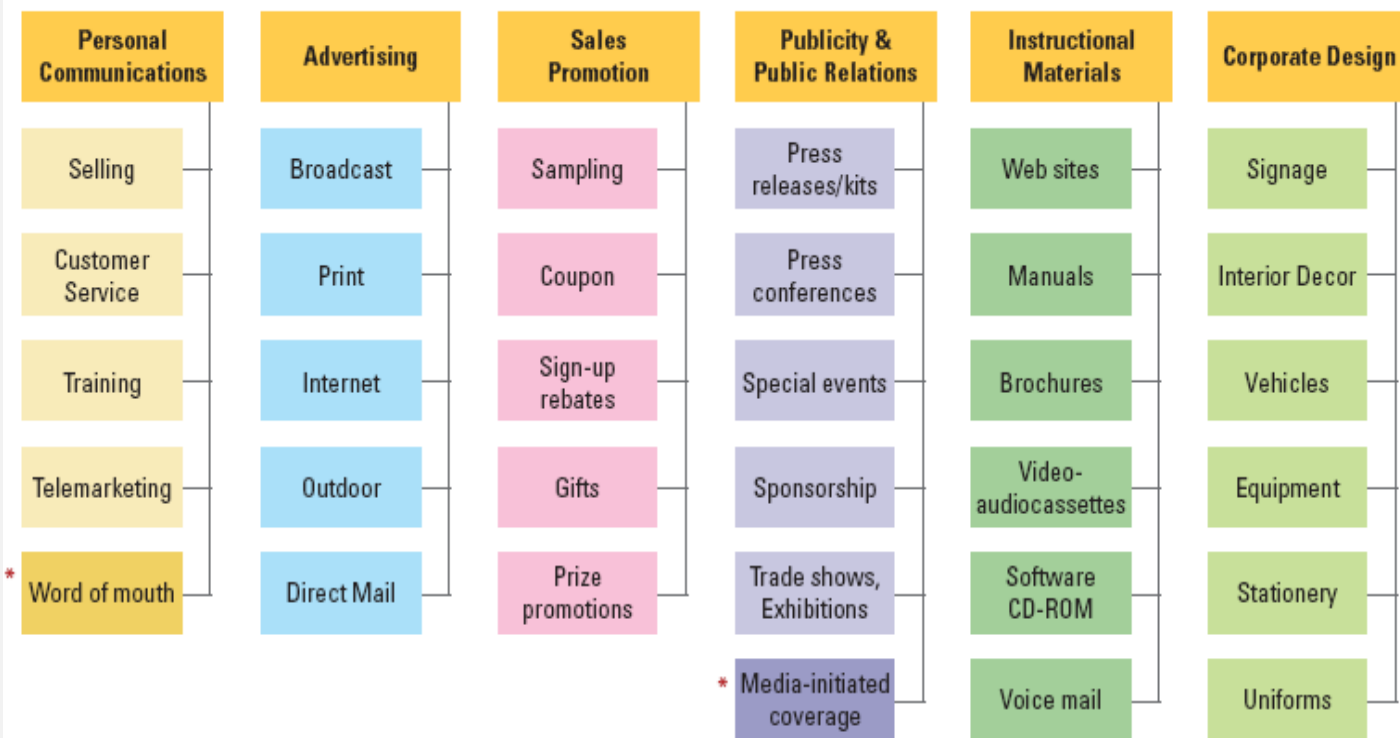
- How to communicate prices?
 - Relate the price to that of competing products
 - Use salespeople and customer service representatives
 - Good signage at retail points
 - Ensure price is accurate and intelligible

MARKETING COMMUNICATION MIX

- After this session, the student should be able :
 - Explain the instructional material
 - Explain the corporate design
 - Differentiate the marketing mix and marketing communication mix



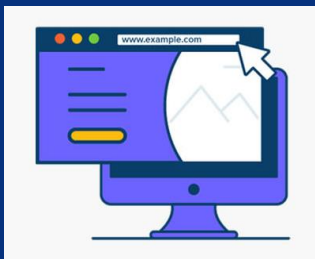
MARKETING COMMUNICATIONS MIX FOR SERVICES



Key: * Denotes communications originating from outside the organization

Instructional Materials

- ✓ Instructional materials are **the content or information conveyed within a course**.
- ✓ These include the lectures, readings, textbooks, multimedia components, and other resources in a course.



Websites



Manuals



Brochures

Instructional Materials



Video
Audiocassettes



Software
CD ROM



Voice Mail

Corporate Design

Definition:

is the official graphical design of the logo and name of a company or institution used on letterheads, envelopes, forms, folders, vehicles, uniforms, equipment, brochures etc.

Examples:

- Signage
- Interior Decor
- Vehicles
- Equipment
- Stationery
- Uniforms

And...

created in such a way that all the elements are arranged in a distinctive design and pattern.



Corporate Design



Interior Design



Vehicles



Signage



Equipment



Stationary

Uniform



ACTIVITY SESSION

- REMEMBER ME:
 - TAKE OUT SMALL PIECES OF NOTE.
 - IN 2 MINUTES WRITE UP WHAT YOU REMEMBER FROM LECTURE JUST NOW.
 - THEN, CHANGE THE NOTES WITH YOUR FRIEND NEXT TO YOU.
 - THEN, DISCUSS WITH YOUR FRIEND TO COMPLETE INFORMATION FROM THE LECTURE.

DISTRIBUTION IN A SERVICES CONTEXT

- In a services context, we often don't move physical products
- Experiences, performances, and solutions are not being physically shipped and stored
- More and more informational transactions are conducted through electronic and not physical channels

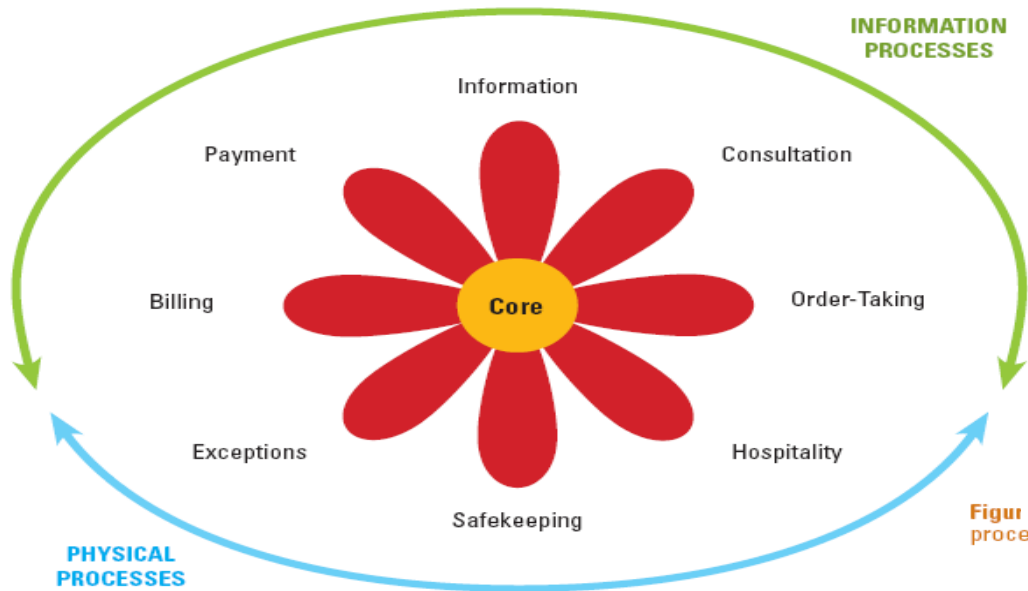
The three interrelated elements of distribution are:

- Information and promotion flow
 - To get customer interested in buying the service
- Negotiation flow
 - To sell the right to use a service
- Product flow
 - To develop a network of local sites

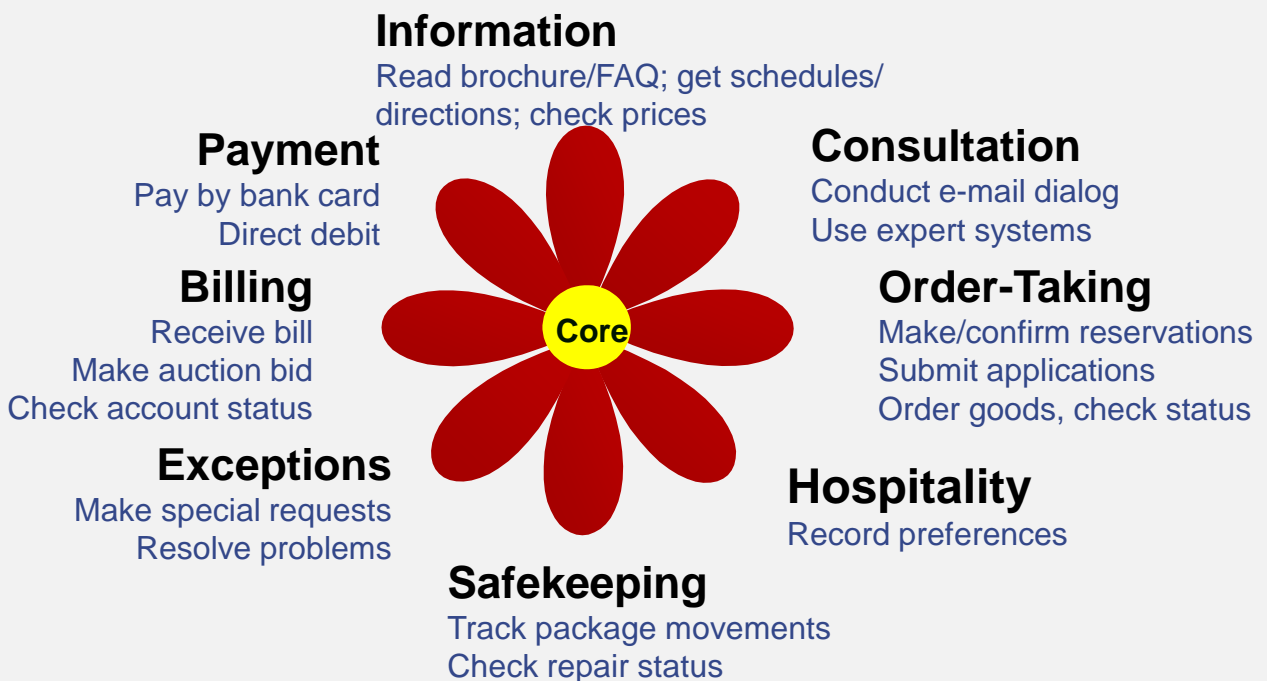
DISTINGUISHING BETWEEN DISTRIBUTION OF SUPPLEMENTARY AND CORE SERVICES

- Most core services require physical locations
- Many supplementary services are informational; can be distributed widely and cost-effectively via other means
 - Telephone
 - Internet

INFORMATION AND PHYSICAL PROCESSES OF AUGMENTED SERVICE PRODUCTS



USING WEBSITES FOR SERVICE DELIVERY



CORE: Use Web to deliver information-based core services

DISTRIBUTION OPTIONS FOR SERVING CUSTOMERS

- Customers visit service site
 - Convenience of service factory locations and operational schedules important when customer has to be physically present
- Service providers go to customers
 - Unavoidable when object of service is immovable
 - More expensive and time-consuming for service provider
- Service transaction is conducted remotely
 - Achieved with help of logistics and telecommunications

Type of Interaction between Customer and Service Organization	Availability of Service Outlets	
	Single Site	Multiple Sites
Customer goes to service organization	Theater Hair salon	Bus service Fast-food chain
Service organization comes to customer	House painting Mobile car wash	Mail delivery Banking branch network
Customer and service organization transact remotely (mail or electronic communications)	Credit card company Local TV station	Broadcast network Telephone company

PLACE DECISIONS OF SERVICE DELIVERY

- Cost, productivity, and access to labor are key determinants to locating a service facility
- Location constraints
 - Operational requirement (e.g., airports)
 - Geographic factor (e.g., ski resorts)
 - Need for economies of scale (e.g., hospitals)

- Ministores
 - Creating many small service factories to maximize geographic coverage
 - Separating front and back stages of operation
 - Purchasing space from another provider in complementary field
- Locating in Multipurpose Facilities
 - Proximity to where customers live or work

TIME OF SERVICE DELIVERY

- Traditionally, schedules were restricted
 - Service availability limited to daytime, 40-50 hours a week
- Today
 - For flexible, responsive service operations: 24/7 service, 24 hours a day, 7 days a week, all around the world

SERVICE DELIVERY INNOVATIONS FACILITATED BY TECHNOLOGY

- Technological Innovations
 - Development of smartphones and PDAs, and presence of Wi-Fi
 - Voice-recognition technology
 - Websites
 - Smart cards
 - - Store detailed information about customer
 - - Act as electronic purse containing digital money
- Electronic channels can be offered together with physical channels, or replace physical channels

E-COMMERCE: MOVE TO CYBERSPACE

- What are the factors that encourage you to use virtual stores?
 - Convenience
 - Ease of search
 - Broader selection
 - Potential for better prices
 - 24-hour service with prompt delivery

E-COMMERCE: MOVE TO CYBERSPACE

- Recent developments: websites, customer management (CRM) systems , wifi, and Smartphone.
- Integrating mobile devices into the service delivery infrastructure can be used as means to:
 - Access services
 - Alert customers to opportunities/problems
 - Update information in real time

DPM 50123
SERVICES MARKETING

CHAPTER 5
MANAGING SERVICE
QUALITY

CHAPTER OUTLINE

5.1 Demonstrate service quality

- 5.1.1 Describe service quality on a different perspective
- 5.1.2 Explain manufacturing-based components of quality
- 5.1.3 Demonstrate the service-based components of quality (dimension of service quality)
- 5.1.4 Demonstrate the failure in service quality and ways to overcome

5.2 Organize the service productivity

- 5.2.1 Describe service productivity
- 5.2.2 Demonstrate approaches improving service productivity
- 5.2.3 Demonstrate how productivity improvements impact quality and value

DEFINITION OF SERVICE QUALITY

- An assessment of how well a delivered service conforms to the client's expectations. Service business operators often assess the service quality provided to their customers in order to improve their service, to quickly identify problems, and to better assess client satisfaction.

**DAVID GARVIN IDENTIFIES
5 DIFFERENT PERSPECTIVES OF
SERVICE QUALITY**

Transcendent: **Quality = Excellence. Recognized only through experience**

Manufacturing-based: **Quality is in conformance to the firm's developed specifications**

User-based: **Quality lies in the eyes of the beholder**

Value-based: **Quality is a trade-off between price and value**

Product-based: **Quality as a prescribe. Diff in Q reflect diff attribute possessed by the product.**

MANUFACTURING-BASED COMPONENTS OF QUALITY

1. **Performance:** Performance refers to a product's primary operating characteristics. This dimension of quality involves measurable attributes; brands can usually be ranked objectively on individual aspects of performance.
2. **Features:** Features are additional characteristics that enhance the appeal of the product or service to the user.
3. **Reliability:** Reliability is the likelihood that a product will not fail within a specific time period. This is a key element for users who need the product to work without fail.
4. **Conformance:** Conformance is the precision with which the product or service meets the specified standards.

5. Durability: Durability measures the length of a product's life. When the product can be repaired, estimating durability is more complicated. The item will be used until it is no longer economical to operate it. This happens when the repair rate and the associated costs increase significantly.

6. Serviceability: Serviceability is the speed with which the product can be put into service when it breaks down, as well as the competence and the behavior of the service person.

7. Aesthetics: Aesthetics is the subjective dimension indicating the kind of response a user has to a product. It represents the individual's personal preference.

8. Perceived Quality: Perceived Quality is the quality attributed to a good or service based on indirect measures.

DIMENSIONS OF SERVICE QUALITY

Tangibles: Appearance of physical elements

Reliability: Dependable and accurate performance

Responsiveness: Promptness; helpfulness

Assurance: Competence, courtesy, credibility, security

Empathy: Easy access, good communication, understanding of customer

ServQual Dimension

RELIABILITY	ASSURANCES	TANGIBLES	EMPHATY	RESPONSIVENESS
<ul style="list-style-type: none">• The ability to perform the promised service both dependably and accurately.• Reliable services performance is a customer expectation and means that the service is accomplished on time, in the same manner and without errors every time.	<ul style="list-style-type: none">• The knowledge and courtesy of employees as well as their ability to convey trust and confidence.• The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer.	<ul style="list-style-type: none">• The appearance of provider's physical facilities, websites, equipment, personnel, and communication materials.	<ul style="list-style-type: none">• The provision of caring, individualized attention to customer. Empathy includes the features: approachability , sensitivity and effort to understand the customer's need.	<ul style="list-style-type: none">• The willingness to help the customers and to provide prompt service. Keeping customer waiting , particularly for no apparent reason, creates unnecessary negative perceptions of quality.

SERVICE QUALITY FAILURE

- Failure to consistently meet or exceed customers' expectation
- 4 situations that usually common with failure in SQ:
 - Customer Expectation compared to the Management Perception.(CEVS MP)
 - The Management Perception compared to the Quality Specification.(MPVS QS)
 - The Quality Specification compared to the provision of service. (QSVS POS)
 - The provision of service compared to external communication. (POSVS EXCO)

Customer Expectation compared to the Management Perception.(CE VS MP)

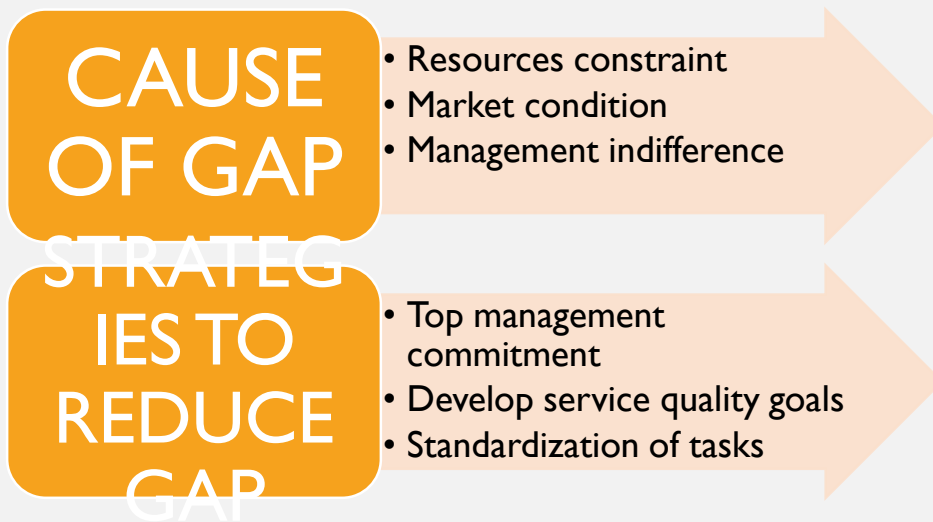
CAUSE
OF GAP

- Failure of management to identify customer expectation

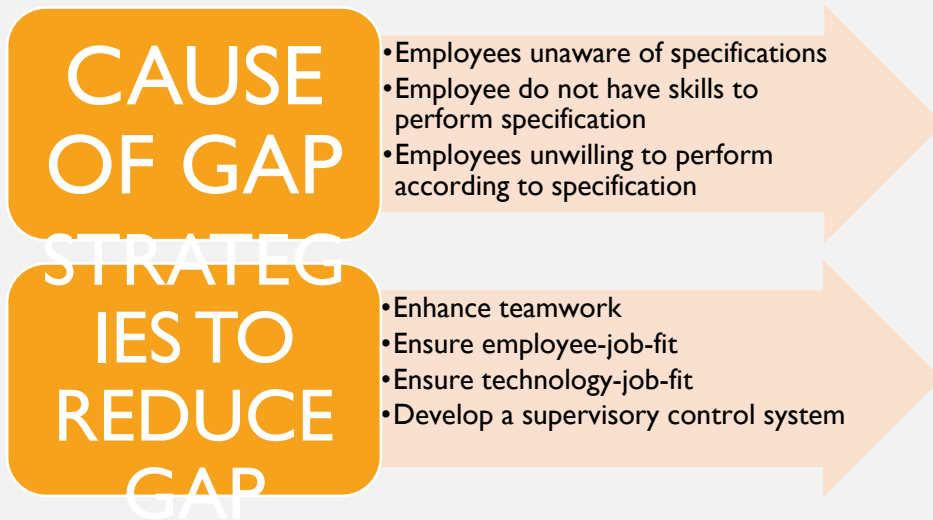
STRATEG
IES TO
REDUCE
GAP

- Communicate with customer
- Conduct market research
- Encourage upward communication

The Management Perception compared to the
Quality Specification.(MP VS QS)



The Quality Specification compared to the Provision Of Service. (QS VS POS)



The provision of service compared to External Communication. (POS VS EXCO)

CAUSE
OF GAP

- Poor or lack of communication
- Overpromising

STRATEG
IES TO
REDUCE
GAP

- Increase horizontal communication
- Avoid over promise

SERVICE PRODUCTIVITY

Service productivity is a function of efficiency, effectiveness, and demand. The focus is on the concepts of customer satisfaction and quality. In other words, service productivity is a function of:-

- (1) how effectively input resources into the service (production) process are transformed to outputs in the form of services (internal efficiency),
- (2) how well the quality of the service process and its outcome is perceived (external efficiency or effectiveness) and
- (3) how effectively the capacity of the service process is utilized (capacity efficiency)

GENERIC PRODUCTIVITY IMPROVEMENT STRATEGIES

- Typical strategies to improve service productivity:
 - Careful control of costs at every step in process
 - Efforts to reduce wasteful use of materials or labor
 - Matching productive capacity to average rather than peak demand levels
 - Replacing workers by automated machines or self-service technologies
 - Teaching employees how to work more productively
 - Broadening variety of tasks that service worker can perform
 - Installing expert systems that allow paraprofessionals to take on work previously performed by professionals who earn higher salaries
- Although improving productivity can be approached incrementally, major gains often require redesigning entire processes

CUSTOMER-DRIVEN WAYS TO IMPROVE PRODUCTIVITY

Change timing of customer demand

By shifting demand away from peaks, managers can make better use of firm's productive assets and provide better service

Involve customers more in production

Get customers to self-serve

Encourage customers to obtain information and buy from firm's corporate Websites

Ask customers to use third parties

Delegate delivery of supplementary service elements to intermediary organizations

Demonstrate How Productivity Improvements Impact Quality And Value

- a. How back-stage changes may impact customers
- b. Front stage efforts to improve productivity
- c. Control on cost reduction strategies

Backstage And Front-stage Productivity Changes: Implications For Customers

- Backstage changes may impact customers
 - Keep track of proposed backstage changes, and prepare customers for them
 - e.g., new printing peripherals may affect appearance of bank statements
- Front-stage productivity enhancements are especially visible in high contact services
 - Some improvements only require passive acceptance, while others require customers to change behavior
 - Must consider impacts on customers and address customer resistance to changes

A Caution On Cost Reduction Strategies

- Most attempts to improve service productivity seek to eliminate waste and reduce labor costs and does not involve new technology
- Reducing staff means workers try to do several things at once and may perform each task poorly
- Better to search for service process redesign opportunities that lead to
 - Improvements in productivity
 - Simultaneous improvement in service quality

CONCLUSION

- **COURSE LEARNING OUTCOMES (CLO):** Upon completion of this course, students should be able to:
- **CLO1 :**Apply the knowledge of service marketing for developing service product. (C3 , PLO 1)
- **CLO2 :** Demonstrate an effective services marketing program in the service marketing environment. (P5 , PLO 3)
- **CLO3 :** Propose an effective solution for services strategies related to service marketing using a suitable digital application (A3 , PLO 5)

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Services Marketing DPM50123

e ISBN 978-967-2740-50-6



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