

MARKETING OF SERVICES

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Abstract

The service sector of the economy has increased globally in which the developed and developing economy of nations has witness the growth in many service industries and this has contributed a lot to their national economy. This increase is as a result of the growing demand customers/consumers of services in the society. Predictions have shown that jobs are gradually shrinking in the manufacturing and agricultural sectors while new jobs are created in the service industry. This paper extensively exhausts literatures on services, characteristics of services, consumers behaviour in services, differences between services product and physical product, evaluation of services and the service marketing mix. The paper recommends that, for service industries to achieve their goals and objectives constant training and retraining of employees should be carried out and that employee should be rewarded using monetary and non-monetary incentives as part of motivation on the job.

Keywords: consumer behaviour, marketing, services, service sector.

INTRODUCTION

The service sector of the economy has increased globally in which the developed and developing economy of nations has witness the growth in many service industries and this has contributed a lot to their national economy (Johann, 2017). The service sector has provided employment and export to many countries around the globe which makes it to have two-third of the value of GDP globally. Evidence have shown that United States, European Union and other developed countries of the sector has contributed more than 70 per cent of their GDPs. However, same figure is recorded in employment (Johann, 2017). Again, predictions indicated that in the manufacturing and agricultural sectors employment will be shrinking while new jobs will be created in the service industries (Johann, 2017).

Professional and business services, healthcare and education which are categorized as knowledge- based industries are fast growing in the world (Ansoff, 1987). However, travel, tourism and hospitality which are within the service industries have grown reasonably and have become the main industries in many developing countries. The massive development of the service sector was not as a result of development of traditional service industries such as leisure and hospitality, healthcare and education, financial and insurance industries, profesional and business services (Johann, 2017).

In addition, manufacturers attention nowadays are on the service aspects of their operations in order to gain competitive advantage in the market as well as generate additional revenue for their companies, however, they identified service elements of their market product such as extended warranties, low interest financing, free insurance, customer service, free shipping and others (Belly, 2000).

The importance of the service sector can never be over emphasized. Due to the rapid development of the industry, the world economy is experiencing a remarkable change in its

history causing many far-reaching effects (Johann, 2017). The dominance of the service job was as a result of the new service era, where professional knowledge, new skills and qualification are required in the area of customer services. Professional, managerial and administrative work performed in offices and service outlets has gradually replaced the traditional blue-collar work. Employees started to be treated as a valuable asset as organizations realize that they are important in-service performance and have a remarkable impact on customer satisfaction (Johann, 2017). Hence, emphasis was put on training and development of staff. Application of new technologies that stimulate service products innovations and facilitate the provision of services as well as application of new systems such as customer relationship management and service quality information in order to increase service quality and customer satisfaction are the new developments in the service economy.

In light of the above, the paper examines extensively the nature of services, characteristics of services, consumer behaviour in services, differences between physical products, evaluation of services and the service marketing mix. This is all in view to satisfy the raising needs of services by consumers putting into consideration the motivational factors of employees who serve as the image of the organization to the consumers/customers.

CHARACTERISTICS OF SERVICES

Palmer (1994) identified the characteristics of services which basically include intangibility, inseparability, heterogeneity and perishability. All these distinguish a service from goods and have a number of important marketing implications.

Intangibility. To a large extent services cannot be experienced by physical senses. They cannot be seen, tasted, felt, or touched like tangible goods. In fact, many services are difficult to be examined before they are purchased. The lack of physical evidence increases the level of uncertainty when the customer is choosing among competing services. In some cases, even after the service has been delivered, the customer might not fully understand the service performance (e.g., diagnosis, treatment).

Inseparability. Whereas most goods are produced first, then sold and consumed, most services are sold first and then produced and consumed at the same time. In many cases customers are present when the service is being produced, so the producer and customers interact with each other during the service production process. This means that the service producers play an important role in the service experience for the customer (e.g., teaching, consulting).

Heterogeneity. Unlike tangible goods, services are highly variable. This is because services are performances, frequently produced by the service personnel, which means that the performed services will not be precisely alike. Thus, the variability of services might result in different levels of service quality. Another problem is that customers are usually involved in the service production process, so it can be difficult to carry out monitoring and control to ensure consistent standards (e.g., hairdressing, baby-sitting).

Perishability. Services differ from goods, as they cannot be saved, stored, resold or returned. This is in contrast to goods that can be stored in inventory, resold, or returned if the customer is unhappy. An airline that offers the seats on a given flight, cannot sell those seats after the plane

has left. Similarly, a hotel that offers rooms at a scheduled date, cannot sell them after that. Thus, the perishability of services results in a greater attention paid to the demand forecasting and capacity utilization.

Table1: Implication of service characteristics and suggested marketing response.

Services Characteristics	Implications	Responses
Intangibility	Difficulties with assessing quality Increased level of uncertainty Perceived high level of risk	Adding physical evidence Developing strong brands Intangibility Facilitating recommendation Stressing tangible elements in advertising
Inseparability	Production process affects the service outcome. Employees affect the service outcome. Customers affect each other.	Monitoring and controlling the service production process. Management of consumer-producer interaction. Precisely defining target market.
Heterogeneity	Different levels of service quality Employees affect the service quality	Quality control procedures Selecting, training, motivating and controlling the service personnel.
Perishability	Services cannot be stored, resold, and returned	Management of demand Promotion and price policies

Source: Palmer (1994). Principles of Services Marketing, McGraw-Hill Company Book Company Europe, 1994, pp. 3-7.

Services tend to exhibit four described characteristics, yet any specific service displays a different combination of each of these factors. For example, a fast-food service is standardized, possesses tangible elements and is perishable. On the other hand, financial services are much less tangible, highly varied and can be performed away from the customer. An understanding of the degree to which a given service possesses any of the distinguished characteristics is crucial for identifying challenges and designing marketing programs. A service which is properly analyzed in terms of its characteristics and whose benefits are accurately assessed might be an important source of competitive advantage (Payne, 1993).

EVALUATION OF SERVICES

Relationships that exist between variables in the field of marketing are situational and change continually (Scroll & For, 2011). Different influential choices are made when it comes to a special occasion (e.g., first date, anniversary, birthday, etc.) versus a normal family dinner. Similarly, the choice of hotels depends on whether it is a business trip or a family vacation. In addition, the intangible nature of services that relates to perishability and variability makes it difficult to evaluate the final product. Scroll and For (2011) discussed on the various attributes used in evaluating products (both goods and services).

- Search Attributes. These represent the characteristics of a product that the consumer can evaluate prior to purchase. It is possible to find restaurant or hotel locations, menus, and the amenities offered through telephone books or Internet web sites. One can also find information on airline routes, type of plane, seating charts, on-time percentage, and baggage

handling policies. Tourism destinations use brochures and web sites to provide information on tourist attractions, restaurants, and lodging.

- Experience Attributes. These represent the characteristics of a product that the consumer can only evaluate after purchase. For example, the actual quality of a meal or hotel as a meeting venue cannot be determined from search attributes. The consumer can form expectations, but it is only after the purchase and consumption of the service that the consumer forms a perception of the final service. A visit to a tourism destination depends on the weather, transportation, lodging, restaurants, etc. and can be very different from the consumer's original expectations.
- Credence Attributes. These represent the characteristics of a product that are difficult to evaluate even after purchase. It is possible to evaluate most hospitality and tourism services after consumption because they are heavy in experience attributes. However, the 'pure' intangible services like health care, lawyers, and accountants are difficult to evaluate even after consuming the service. For example, you assume your accountant did a good job on your taxes, but you never really know without an audit or a review by a second accountant. Similarly, patients might need a second opinion (or more) to evaluate a doctor's performance. In general, the demand is more elastic for services that have a 'tangible' component with more search attributes. These tangibility-based services are easier to evaluate and compare among competitors. The demand for services becomes more inelastic as they exhibit more experience, and then credence attributes.

THE SERVICE MARKETING MIX

Marketing mix serve as one of the basic concepts in marketing. Johann (2017) defined marketing mix as "the elements an organization controls that can be used to satisfy or communicate with customers". The traditional marketing mix is composed of four basic strategic elements: product, price, place (or distribution) and promotion (or communication), often referred to as the "4 Ps" (Bowen & Lawler, 1991). Additionally, each of these elements has its own mix of ingredients. All the distinguished variables are also interrelated and, to some extent, they depend on each other. Initial analysis of the marketing mix components was limited to a study of manufacturing industry, since, at that time, the significance of services to the economy was considered to be relatively unimportant (Bowen & Lawler, 1992).

However, the increasing role of services over the years caused a rising interest in the way they should be marketed. The analysis of the nature of services showed that the traditional marketing mix is not sufficient and requires some modifications when applied to services. A number of analysts redefined the marketing mix adding additional variables which in practice enable services marketers to better communicate with and satisfy their customers. The extended marketing mix is composed of 7 Ps, which includes the traditional 4 Ps, as well as process associated with service delivery, physical environment and people (Bradley, 2003). A brief overview of the marketing mix elements for services is given below:

- **Product**

Products are the means by which organizations seek to satisfy their customers. In this sense, a product is an offer which consists of any elements - tangible and intangible ones. A service product is composed of a core product that respond to the customers' primary needs and supplementary services which constitute value-added enhancements. Planning the marketing mix begins with creating a service concept which involves product-mix decisions aimed at

offering value to customers which would satisfy their needs better than competing offers. Typically, product-mix decisions focus on quality, brand image, design, and reliability. One important implication for service products' decisions is that new services cannot be protected by patents or copyrights.

- **Place**

Place decisions refer to the ease of access that customers have to a service. Service distribution involve physical location decisions, decisions about which intermediaries to use, and what channels to choose - physical or electronic ones. In many cases service firms offer customers a choice of distribution channels, which may include visiting a branch, dealing with an agent, using the Internet, call center or self-service machines like ATMs. Nowadays, speed and convenience of place and time have become important determinants of service delivery. To ensure effective distribution, firms offer extended hours (e.g. 24/7), use more distribution channels, and develop their websites to enable customers to get detailed information and online help, make reservations, orders and payments.

- **Promotion**

No marketing program can succeed without communications, which involves different methods and techniques used to deliver information about an offer, persuade the target customers of the benefits of a specific brand, and encourage them to take action at specific times. The traditional promotion mix includes advertising, personal selling, sales promotion and public relations. In the case of services marketing these elements are also important, but because services are produced and consumed at the same time, service personnel can become an important component of promotional activities as well as tangible elements of service environment. Also, because of services intangibility, the role of services communications is to create confidence in the firm's capabilities and reduce the perceived risk of purchase.

- **Price**

Pricing is an important strategic issue because it is a significant indicator of products' quality. In services marketing the role of pricing is even more important, as many services are intangible in nature, so customers rely mostly on price while assessing the level of their quality. In general, pricing decisions involve choices regarding the level of prices to be charged, discounts, terms of payment and the extent to which price differentiation is to be pursued. These decisions are similar to the issues facing a good marketer; however, some differences occur. Most services are perishable and they cannot be stocked in inventory. If there is no demand, the unused capacity is wasted. On the other hand, when the demand exceeds the capacity, a number of customers may not buy a product. Thus, a key issue for service marketers is to smooth demand using dynamic pricing strategies.

- **People**

Many services require direct interaction between customers and the firm's personnel that is why people often become an important part of the service experience. The appearance, attitude, behaviour and skills of the service personnel influence the customer's perception of the service. Therefore, recruiting, training, motivating and rewarding service employees cannot be only regarded as human resources decisions, but also marketing decisions. To achieve specified quality standards, marketing department and human resources department need to work

closely together. Another issue that causes implications for marketing decisions is that customers themselves can affect the service experience, service quality and their own satisfaction. Service marketers need to carefully select target market, choosing the right customers, educate them and shape their behavior.

- **Physical evidence**

The intangible nature of services and the fact that services are produced and consumed at the same time means that it is difficult to judge a service before purchase. Customers perceive greater risk and uncertainty while taking buying decisions and choosing among competing services. To reduce this risk and persuade customers to a specific service, marketers may use environment in which the service is delivered. The elements of this environment are tangible, so they can serve as an important indicator of service quality. The physical evidence includes such elements as brochures, business cards, signage, equipment and staff uniforms. In many cases it also includes the physical environment of a service outlet where customers make purchase decisions. So, landscaping, the appearance of buildings, vehicles, interior furnishing, stationery and other visible components of environment are also significant and marketers should design them carefully.

- **Process**

Manufactured goods are produced in a factory, where quality standards are under control and customers themselves are not involved in the production process. Thus, production is of little concern to the consumers of manufactured goods, whereas in services customers participate in the production process and are often involved in co-production. As flow of activities within the service delivery provide customers with evidence on which to judge a service, creating and delivering services requires design and implementation of effective processes. For these reasons, marketing managers and operations managers need to work closely together to ensure reliable delivery, high quality and productivity. The key issue is to reduce variability, which can be achieved by various means, such as designing customer service processes, training employees, implementing service quality management.

CONCLUSION

The importance of the service sector can never be over emphasized. Due to the rapid development of the industry, the world economy is experiencing a remarkable change in its history causing many far-reaching effects. The dominance of the service job was as a result of the new service era, where professional knowledge, new skills and qualification are required in the area of customer services. Professional, managerial and administrative work performed in offices and service outlet has gradually replaced the traditional blue-collar work. Marketing of services is aimed at satisfying the needs of customers/consumers in an effective and efficient way. This can be achieved through understanding the nature of services, the characteristics of services and the behaviour of consumers when it comes to service delivery. However, service providers must understand the difference between service product and physical product, how to evaluate services and understand the service marketing mix and how to apply them to the consumers/customers so as to satisfy their present and future needs.

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