

Marketing Management II
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Lecture No. W8-L1
Introduction to Services Marketing

Hello welcome to the eighth week the last week of our course marketing management II. And then this week we will be discussing some interesting areas of marketing that we have not specifically covered in our earlier discussions. So earlier discussions we have mostly emphasized marketing based on what we call the goods based logic or dealing with products. This week we are going to start with marketing of services.

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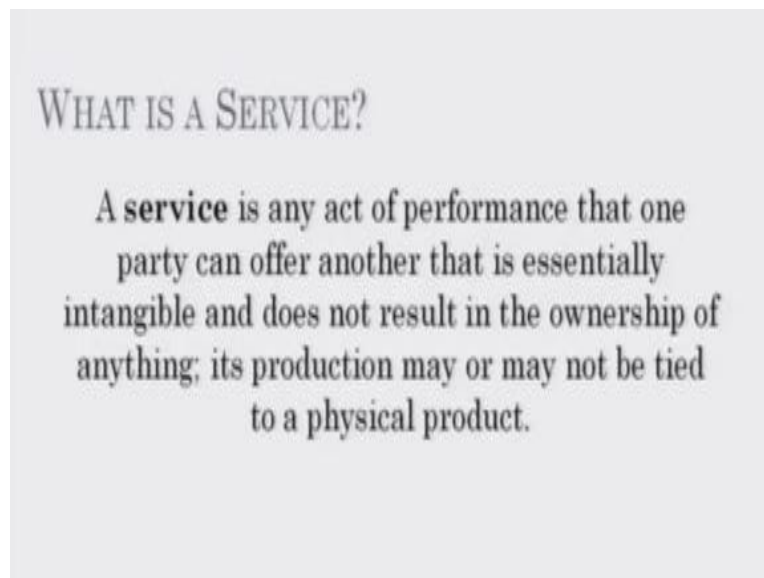
There are some very interesting distinctive features of services and as a result the marketing of services need some additional knowledge or additional considerations for marketers. For these lectures, I am going to give you three references. One reference is the Kotler and Keller book published by Pearson India the fifteenth edition that is available in India. The latest edition that I have already referred earlier and I have mentioned to you.

I am going to use chapter number fourteen of this book on services management that means not only marketing of services but also operations and as we will shortly discuss in marketing operations and marketing of services can hardly be distinguished that is why we have a model called Serve action which basically says that marketing and production are quite integrated or in a good service organization they will be seamless.

And therefore, services management as an integrated concept has been covered in another NPTEL course that I had delivered that is available as a full certification course. So those of you who are interested you can refer to those lectures for more detailed understanding because in this course which is focusing on various aspects of marketing. We are only going to take six sessions on services marketing whereas in that other full-fledged course on services management.

We have coverage of twenty hours plus and therefore more much more detailed analysis will be available in that course. I will also refer for a good reference a book that I have co authored with professor Lovelock and Professor Wirths Yocan Wirth converts. So, this book services marketing is quite popular as a textbook in India and you it is available in the low-cost edition from Pearson India and you can the seventh edition is available right now and you can refer to that as well.

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Now we will first start with the definition of service what is service so I think sort of intuitively you already know that a service is an act or a performance and where one party can offer another party some value which is anyway this exchange of value is a fundamental basis of all marketing activities and that applies to services also the only thing is here often that valued takes an intangible form or primarily intangible.

There may be some goods associated or tangible elements associated as we progress in through the sessions of this week. You will see that various strategies associated with this tangible zing. The intangible but fundamentally service is intangible the other very important

point about service and that perhaps is a more important point opposed to intangibility because now a day's intangibility, tangibility they are quite overlapping and often is a sort of continuum.

But the point about no transfer of ownership is a very important point no transfer of ownership is involved in services. So, if you go and see a movie or you attend a musical program or you are part of an educational institution as a student you are you have gone to a doctor's chamber for a dental treatment. In all these cases, you there is no transfer of ownership of the equipment used for your dental treatment or in your institution for your education or no transfer of ownership, when you take flight from Mumbai to Delhi.

So, you are using the aircraft you are using the airport you are using services of many dimensions embedded in these air porter aircraft and so on. But there is no transfer of ownership you are only using all the facilities for a time for a fee. Same thing for watching a movie the movie hall, the seat, the projection system, the sound system, and all that or even the movie itself as a content there is no transfer of ownership.

If you buy a DVD of the movie there is a transfer of a limited ownership but in the movie hall you watch, you enjoy, you come out and so you had the position of the all the equipment that gave you that enjoyment for a time for a fee. So, this rental or use time based use of facilities equipment tangible products without transfer of ownership is a crucial important point in case of services it is because of this.

And another important point which is called co creation because in most cases in on service occasions the service provider and the service consumer they are together creating an experience. So, if you go for a haircut you will be chatting with the yours the technician your barber you will be explaining what kind of haircut you want. So, the salon personnel will be working with you with your preferences and executing the final style that you want.

So, here is an example of co creation in the same way there are many services even if you are listening to a music concert. So, there is the musician there are maybe you know a whole lot of music it is a band playing but the enjoyment of the experience. You are also a participant and therefore a creator of that experience without you there would not have been any experience without listeners there is no music which is a concert.

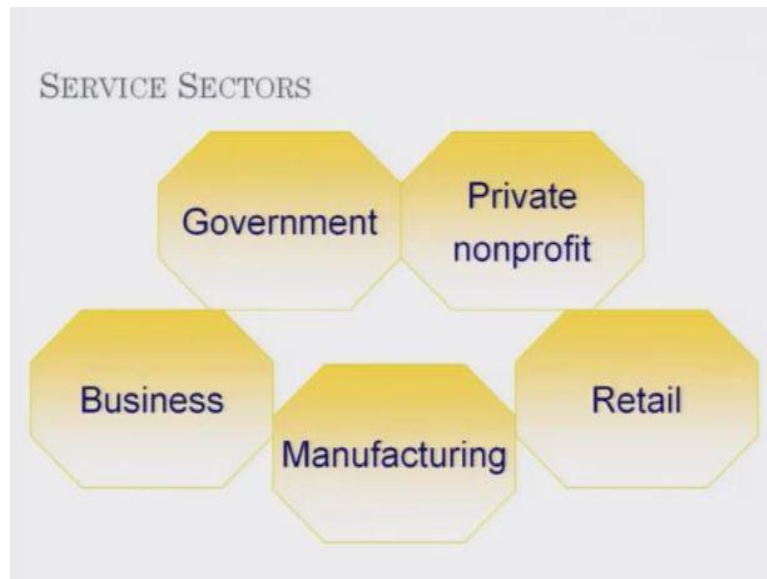
So, a concert is co creation event of a service between the musician and the audience. So, this customer presence as a co creator is another important element of service and between these two, this non-transfer of ownership and this co creation many experts are now saying that this give us an alternative logic to understand marketing and that is the service dominant logic those of you who are interested to explore this.

You can such information on SD logic or service dominant logic lot of papers and presentations are available. It draws lot of attention because if you take the service approach then what happens is you created an alternative paradigm for economic activity. Normally in the goods dominated logic we operate on the basis of take make and finally waste, so what happens is that you take resources from nature you make products.

Those products the trunk there is an ownership transfer of those products in the goods dominated marketing and those products after certain use ultimately land up as waste in garbage heaps and that models of economics produces worldwide tons and tons and tons of garbage. So, the whole world is becoming in a way submerged in this big plague of garbage creation that is the view of these alternative thinkers.

And therefore, they propose a more surface dominated approach to all economic activities which says you borrow use and return something like you know you borrow a book from the library you read it. You make summary of it and you can absorb it and then when your study is completed, you return it. So, this borrow use and return as an alternative to take make and waste is a whole economic activity logic which is based on this concept of service.

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So, service may or may not be tied to a physical product and we will see those issues just now service sectors are all it covers just by the logic that we use just now therefore service activities will be in the government sector in the private not for profit manufacturing retail everywhere. And there is a service activity so for example retail is often considered primarily as a service activity.

Because the success in retail marketing that we have discussed in a previous week, if you see it in the light of what we are going to discuss during this week you will understand that the success retail marketing depends on your ability to handle the service concepts well.

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So, there are different types of services which I was describing just now to understand this we can put these goods and services on a continuum. So, at one end are pure tangible goods

something that you know hardly any service is necessary. Say for example Salt or even Water you know in the earlier days might have been only is just pure goods but today of course good water needs not only as the input.

Product of water but it needs also a lot of service for cleaning, for mineralization and for other stuff. So, water also is not a pure tangible good anymore in fact except a few food items basic food items or spices etc. Like whether it is a Chili or Salt a there are very few examples of pure tangible goods most of the goods are goods and services are integrated.

And at the other end so, this whole the integration depends on the degree of on the left-hand side you can say there are more goods and some services on the right-hand side we have more services and some associated goods. So, on the extreme right-hand end we have examples of pure services like this session that you are experiencing this exchange of knowledge that we are having is an example of almost pure service.

I mean there are some goods associated like you are seeing it perhaps on your computer screen or on your mobile phone screen at the background there are these all kinds of you know network equipment other computer servers storage equipment etc. But that's invisible to you in fact you may be experiencing this on a computer in your college or institution and there therefore you dont own that.

So, everything is something that is available to you for this sessions use if you go to a music concert or movie hall as I was talking about or you go to the hospital for treatment these are all examples of mostly pure service. The focus is on service and not on the goods but of course for marketing purpose this pure intangible side of service we may need to tangible eyes for creating some differential or differentiated marketing strategies.

We will discuss that shortly but at this point let me say that goods to services is a continuum based on tangibility to intangibility.

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SERVICE DISTINCTIONS

- Equipment-based or people-based
- Service processes
- Client's presence required or not
- Personal needs or business needs

Then there are various services distinctions like they can be equipment based so if you send your car for repair or if you give your TV for repair these are services which are primarily based on equipment or there can be pure people based. So, when your children go to the kindergarten school mostly those are services which are based on people based services.

So, it could be you know the teacher is a skilled person but it could be you know sometimes the people process even your haircut is a skilled people to people surface person to person service. But then there can be a service where the service process will be different somewhere and your presence will be necessary. So, like in case of the haircut or in case of the medical treatment your dental treatment in all these cases the services provider and the service consumer they are present within the same time and geography frame.

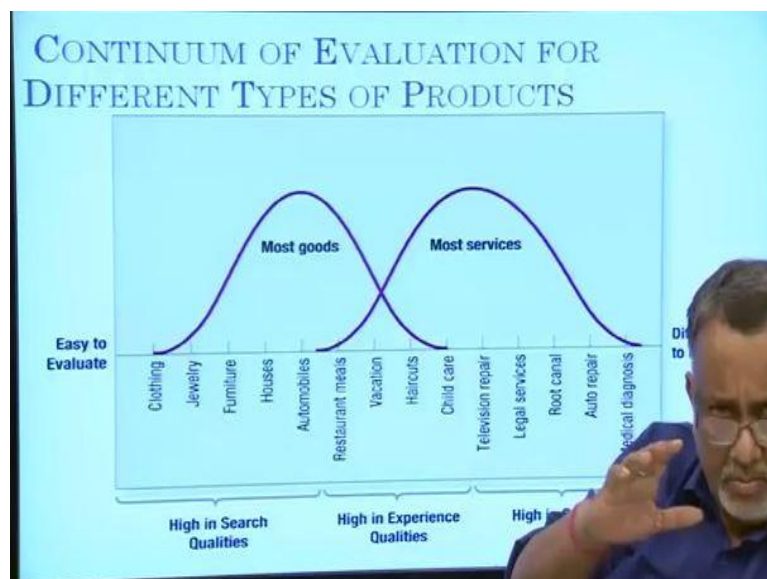
But if you give you a car to the workshop for your for repair and you take it after repair after two days then you are not present during that whole process. So, they are so there are some services particularly the person to person services which are inseparable and between the service provider and the service consumer.

So, their client's presence may be needed may not be needed sometimes services are for personal needs like you are going to a restaurant could be for your personal need you are going out with your family but the same services can also be for business needs. If you are going out for lunch or a business lunch or you are throwing a party for your company colleagues.

So those can be for business needs and there are business specific services you know like the photocopying service which is provided to all offices in an office building so that is a business service. So, services are there for personal business but as I mentioned giving the example of the restaurant sometimes the same service can be for personal or for business. And most important is that the objectives can be profit not for profit like it can be a charitable service it can be a social service at the time of disaster provided by Ramakrishna mission.

So that is those services can have different objectives and as I discussed services can have no transfer of ownership but the service organizations can have different forms of ownership. We will discuss that more in detail so if you refer to Kotler's book you will see figure fourteen point one which is gives this continuum from one end to the other end which is shown here

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And here we look at services from a little bit different perspective so here what happens is on the left-hand side we have what we call high in search qualities. So, these are services where customers will be looking for a lot of information if you remember the last week's discussion when we were discussing about promotion advertising etc. So, this attention interest desire action so customers are actually looking for a lot of information, lot of knowledge formation takes place to evaluate and make choices.

So, most of the goods and based on the value of per unit goods actually from left to right. So, you can see here something like a House or an Automobile will be very high in search qualities even restaurant choices particularly for specific occasions you are going to propose

to somebody or you are going to have an important business negotiation. So there even a restaurant meal may actually have high search but what you will really be looking for is experience there a superior experience.

So, this is the middle where services which are high in experience quality, so restaurant meals, vacation, haircut, childcare these are high in experience quality and then comes this last block a very complex block which is called high in credence quality. So here in high in search quality customers may form expectations and customers may form opinion about quality because these are goods even without experiencing those goods.

So even by looking at a house or by looking at furniture you may be able to make an assessment evaluation of the quality and value of that particular product. Here it is much more tangible these are mostly products in these services which are experienced by the as by this very definition. It means that you need to experience to evaluate without experiencing and by going by somebody else's opinion. You will not be able to evaluate because your evaluation may differ from somebody else's.

So, a restaurant which may be very famous or highly recommended to you by your friends you might not like it because the subjectivity comes more and more. As we move from left to right okay so, these are experiential so here the formation of our opinion about service quality. Our satisfaction all depends on experience and the eight the formation of the opinion happens post experience and the last is like a root canal treatment for your a tooth or a medical operation or a car repair in all these cases actually you will not know the value of the service.

How good the service was till you have actually used it post service for some time so you may not know that whether you are cured immediately after the operation. It will take some time for you to evaluate how good was the medical treatment, the same thing applies to education. It will take some time for you to understand that how good was that particular session that you attended on that particular course that you had taken.

So, these services are therefore called credence loaded services or high credence services. These are services where assessment evaluation and assessment by the customer can only happen after a length of time after the service occasion has occurred. And as you can see

therefore the marketing here will be mostly goods dominated marketing the kind of stuff that we have already discussed as we come to experiential marketing we have to get into some new areas some more behavioral and psychological areas.

Because this is where subjective each occasion is different each person is different. So, the human beings involved both a service provider and service consumer on each occasion creates an infinite variety here and there for marketing. Here has lot of interesting dimensions that we might not have specifically discussed so far and on the right hand side this is a quite a different ball game this credence based services.

So, the credence based services we will soon understand that marketing of credence based in fact something like say auditing function or many other types of services are legally you cannot advertise. So, the marketing therefore depends on creating referrals creating impressions at calibrating the expectation in the customer mind and we will discuss all these different aspects of these exciting new areas of marketing in our next session. Thank you!