

Service Marketing: A practical approach
Prof. Dr. Biplab Datta
Vinod Gupta School of Management
Indian Institute of Technology-Kharagpur

Lecture-01
Introduction

Hello everybody, thanks for joining this course on services marketing with a practical approach. My name is Dr Biplab Datta and my contact details are given here, so once we go through the course and then you want to give some feedback you are most welcome to contact me and then I would be very happy to help you answer your questions.

(Refer Slide Time: 00:48)

<u>Lesson 1</u>	<u>Introduction</u>
<u>What is a service?</u>	
<u>Difference between goods and services</u>	
<u>What are the different types of services?</u>	

In this chapter we are going to see an introduction of services marketing, so there are 3 main topics what is a services, what are the differences between goods and services, and what are the different types of services.

(Refer Slide Time: 01:06)

What is a Service?

Service means a helpful activity performed for others.
Example: a delivery

It is a type of rental (Lovelock and Gummesson, 2004).

- Rented goods (e.g. Photocopying)
- Space and place (e.g. Hotel room)
- Labour and expertise (e.g. Legal services)
- Physical environment (e.g. Museum)
- Systems and networks (e.g. Telecommunication)

So what is the service means a helpful activity perform for others for example you would like to give some message to your mother who is staying at far off place and you do not have access to either postal system or to the system or courier system whatever and then you request your friend to take a letter from you and give that message to your mother, so your friend does that for you and that is what is called helpful services.

So services are some kind of activity, which is perform to help you now. In this example there was no exchange of money etc. and therefore it was just the help. On the other hand, if there is a professional service which charges some money for doing this favour to you those services could be called as professional services. The services are also some type of rental like what has been discussed by Lovelock and Gummesson in 2004.

It consist of rented goods like photocopying or place and place like hotel room or labour and expertise like legal services, physical environment like museum or systems and networks like telecommunication. So what is happening is that when you go for photocopying the photocopy or takes the document from you and uses is machine to provide photocopy to you, so you have not owning that machine.

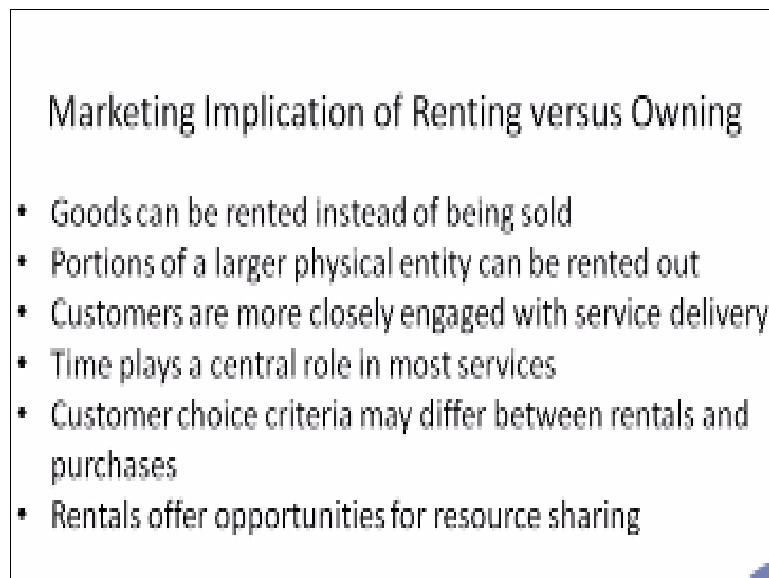
But you are renting that machine for a few minutes when your document is getting photocopying. Similarly the hotel room, so when you go to a hotel and stay in a hotel room, you are not actually owning that hotel room. On the other hand, you are taking the services of the hotel room that is the space and place that the hotel rooms gives you. Then suppose you go for legal services some kind of lawyer and then you do not own the lawyer.

But you are paying for the services which are provided by the lawyer. So the labour and expertise of the lawyer is part of the legal services that you receive. Similarly the physical environment like that of the museum, so you do not own the museum neither do you own the artifacts, which are displayed in the museum, but when you go to the museum you get whole lot of knowledge.

So you are taking the physical environment for rent for sometime and then you are going around the museum and coming out. Similarly for telecommunication that you just use the telecommunication service, the systems and networks which are there, but you do not own any of these, you do not own the tower, you do not own the backend operation, you only use the service is for some part of time and during.

That small part of time you are actually renting the service of telecommunication and you are getting benefit of it so a service is basically a helpful activity perform for others.

(Refer Slide Time: 04:38)



Marketing Implication of Renting versus Owning

- Goods can be rented instead of being sold
- Portions of a larger physical entity can be rented out
- Customers are more closely engaged with service delivery
- Time plays a central role in most services
- Customer choice criteria may differ between rentals and purchases
- Rentals offer opportunities for resource sharing

So what are the marketing implications of renting versus owning so goods can be rented instead of being sold, so you are basically taking help of the concept of rent and you are renting a goods without the good being sold, without buying the product or buying the infrastructure, you are getting to use that infrastructure. Similarly portions of larger physical entity can be rented out, so there is a larger physical entity.

For example a telecommunication network and part of it you can rent out for certain time. For example you speak to somebody over the mobile phone for 3 minutes, so you are using the mobile phone services and systems and network for 3 minutes. So you are able to use the network for getting some kind of service. Then customers are more closely engaged with service delivery.

So here the customers are in contact with the service delivery person in very closely, then time plays a central role in more services that means more services are provided to you for a small part of time for defined part of time the services provided to you then the customer choice criteria may differ between rentals and purchases. So the customer would choose between rental and purchases.

For example if a customer wants to purchase a machine a photocopying machine then he would go for either the cheapest one or the middle of the (()) (06:37) one so this would be the considerations, but on the other hand if the customer has to go for the photocopying service then he would he is most likely to go for the best photocopying service available. Okay so he does not have to worry about the cost of the machine but he just worries about the quality that he gets out of the machine without owning the machine as such.

Similarly rental offers opportunities for resource sharing so for example the x-ray lab or the CT scanner. Now one health center or one small hospital may not be able to purchase such a machine and keep it and use it for the CT scanning purpose. But on the other hand one concern one different company can own the CT scanning facility and can provide the service to 4 or 5 hospitals nearby and make money out of it and this is the way all these 4, 5 hospitals can gain out of the service being provided by the CT scanning company.

(Refer Slide Time: 07:58)

Classification of Products

According to ISO 9000: 2005 products are defined as "result of a set of interrelated or interacting activities which transform inputs into outputs"

According to this standard, products can be classified into:

- Hardware - discretely countable (e.g. engine mechanical part)
- Software - information (e.g. computer program, dictionary)
- Processed materials - continuously countable (e.g. lubricant)
- Services - intangible (e.g. transportation)

So what are the classification of the products according to ISO 9000:2005 products have defined as result of set of interrelated or interacting activities, which transforms inputs into outputs. So products are basically some kind of result of activities which transform inputs into outputs. So according to these tender products can be classified into 4 types. First is the hardware which is discretely countable, so like an engine mechanical part, so you can count the number of mechanical parts and it becomes a discretely countable product.

On the other hand, software is basically some kind of information, so a computer program or a dictionary or some other kinds of programs or algorithms. These are all some kind of information and this kind of information is called as software. Then there are processed materials which have continuously countable like lubricants. Now lubricants are processed materials.

And they are continuously countable in the sense that there can be 4 liters of petrol, there can be 4.1 liters of petrol, there can be 4.15 liters of petrol, so these are continuously countable programs. And then there are services which are intangibly nature, so all others like hardware or process materials can be touched. There is palpable tangibility software like information cannot be touch, but you can read that information and services which are intangible.

So software is also partly intangible and then services are all intangible services. Examples are like transportation that is moving, going from place to another, so that service is intangible. Similarly software is also intangible so sometime (()) (10:11) software as part of

the service. So these are services and there are hardware and processed materials so products can be classified into these 4 types then we come to the definition of services.

(Refer Slide Time: 10:23)

Definition of Services

According to ISO 5127:2001 services are defined as "results generated by activities at the interface between a supplier and a customer and by supplier internal activities to meet customer needs"

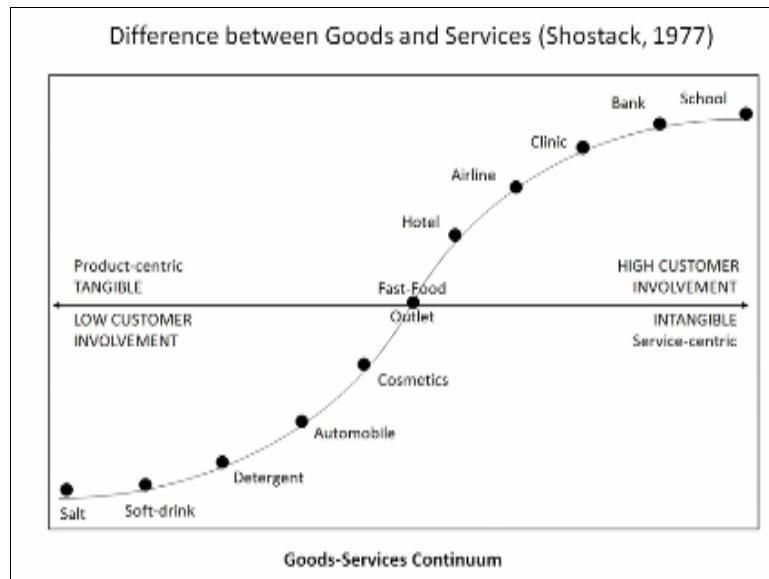
Example: haircut

According to ISO 5127:2001 services are define as the results generated by the activities at the interface between supplier and the customer and by supplier internal activities to meet Customer's needs. So services are basically activities in which the customer and the services provider interact and those who those interacting sessions the results are produced and those results are called services.

Now there could be some back office kind of services where there are some kind of help that is provided by the back office. In generating the results, so these are the supplier internal activities and all these activities are created in order to meet the needs of the customer, so an example is the simple haircut.

So when you go for hair cut you and barber are interacting with each other and so you are getting the results out the activities at the interface between the supplier and customer and by the supplier internal activities with jack up the services which are essential for providing the service by the service provider and all these is done to meet the needs of the customer.

(Refer Slide Time: 12:12)



So now coming to the differences between goods and services as given by Shostack in 1977. So here you see that there is continuum starting from salt to school, so this is a continuum and in this continuum the left side is the product centric or tangible continuum whereas the right side is the high customer involvement intangible or service centric kind of a product. So these are hard products or tangible products like salt, soft-drink, detergent, automobile, cosmetics, etc.

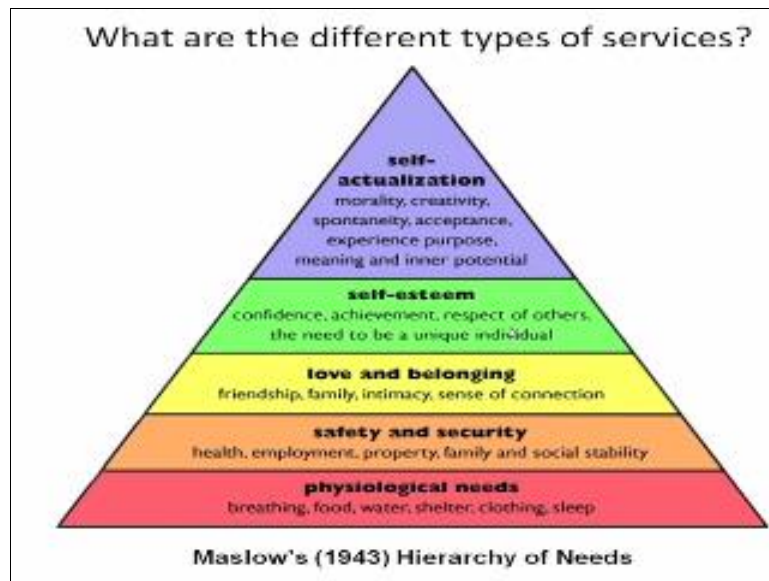
And then you have a tangible product like hotel, airline, clinic, bank, or school. These are the intangible products so these are mode of services and at the tangible end there is low customer involvement in the production of those products. For example customer do not get involve in the production of salt or in the production of soft-drink.

But on the other hand you have customers who get involved in the procedures of the bank or the clinic, or the school and without the presence of the customer. These services cannot be deliver so any product is actually having some service and component and some product component. For example the hotel. This has the infrastructural facilities as the product component or the goods component and then there are services which are provided.

Similarly the airline has the aircraft which is infrastructure which is provided or food provided in the airline is a type of product but otherwise it is a transportation service which mainly takes you from one point to another. In the middle of these continuum are services like fast food outlet. Now this fast food which is provided to you is a type of product and but

this fast food outlet prepares the food for you and then serves it to you. This part of the product is called as service.

(Refer Slide Time: 14:31)



So here we see what are the different types of services, so we have Maslow's Hierarchy of needs which he wrote about in 1943. He has talked about 5 types of needs, so these type of needs is the physiological needs which most of us has or rather all of us had these needs. These are the needs for breathing, food, water, shelter, clothing, sleep, etc. Then we have the needs for safety and security like the need for health, employment, property, family, and social stability.

Then we have the need for love and belonging. So that consist of friendship, family, intimacy, sense of connection, etc. Then we have self-esteem needs like confidence, achievement, respect of others and the need to be a unique individual and lastly we have a self actualization needs which are morality, creativity, spontaneity, acceptance, experience, purpose, meaning and inner potential. So these are the different types of needs which Maslow has talked about in hierarchy of needs. So what are the services based on these hierarchy of needs.

(Refer Slide Time: 15:53)

What are the different types of services?

Need	Service
Physiological needs	real estate service, restaurant service, hotel service
Safety and security needs	Security service, banking service
Love and belonging needs	Telecommunication service, dating and marriage service, clubs and associations
Self-esteem needs	Luxury service
Self-actualization	Education service, yoga service

So there is the physiological needs so who satisfy these physiological needs we have real estate service which is the service of selling real estate products to the customer. Then we have restaurant service which provides food to the customer or the hotel service which provides room with rest and breakfast to the customer, so these satisfy the physiological needs of the customer then there are safety and security needs.

So then security service or banking service which provides safety and security needs to the which satisfy the safety and security needs of the customer. Then comes telecommunication service, dating and marriage service and clubs and associations. So these kind of services satisfy the love and belonging needs of the customers. Then there are luxury services which provide self-esteem needs which satisfy the self-esteem needs of the customer.

And then we have education service, yoga service, etc. which provide self actualization needs, it provide service which satisfies the self actualization needs of the customers.

(Refer Slide Time: 17:25)

What are the different types of services?					
Classification of services based on Max-Neef's (1991) fundamental human needs					
Need	Being (qualities)	Having (things)	Doing (actions)	Interacting (settings)	Types of Services
subsistence	physical and mental health	food, shelter, work	feed, clothe, rest, work	living environment, social setting	Feeding, Health care, Retail and Supply services
protection	care, adaptability, autonomy	social security, health systems, work	co-operate, plan, take care of, help	social environment, dwelling	Housing, Clothing, Security, Safety, Maintenance and Insurance services
affection	respect, sense of humour, generosity, sensuality	friendships, family, relationships with nature	share, take care of, make love, express emotions	privacy, intimate spaces of togetherness	Friendship, Dating, Marriage and Family services
understanding	critical capacity, curiosity, intuition	literature, teachers, policies, educational	analyse, study, meditate, investigate	schools, families, universities, communities	Educational, Investment, Meditative services

So what the different types of services so again like Maslow there is Manfred Max Neef who in 1991 classified human needs into 9 fundamental needs. So these are the needs for subsistence the need for protection, the need for affection, understanding, participation, leisure, creation, identity, and freedom. So there are these 9 types of needs which are talked about which have been written above by Manfred Max Neef.

So the physical and mental health are the qualities of subsistence. For subsistence one requires food, shelter, and work. These are the kind of things one require for subsistence, then the actions to be taken are feeding, clothing, resting, and working. These are the actions which satisfy the subsistence needs and the interacting setting which are required for the satisfying this need are living environment.

And the social setting and the services required are feeding, healthcare, retail, and supply services. So these kind of services satisfy the need for subsistence of the people. Then there is the need for protection, so the qualities are required for protection care, adaptability, autonomy, etc. and the things to have are social security, health systems, and work which are required for satisfying the need for protection.

The action required are cooperation, planning, taking care of, or helping. The interacting setting are the social environment, the dwelling etc. And the types of services are housing, clothing, security, safety maintenance, and insurance services. So these type of services satisfy the need for protection of the customers affection. This need requires is expressed as rest, requirement of respect, sense of humour, generosity, sensuality, etc.

The things to be had are friendship, family, relationship with nature etc. The actions are to share, to take care of, to make laugh, express emotions, these are the actions. The interacting settings are privacy intimate spaces of togetherness, so these are the interacting settings and the types of services which can satisfy. The need for affection are friendship, dating, marriage, and gifting services.

Then the need for understanding, so here the qualities are critical, capacity, curiosity, and intuition, and the things to be had are examples are literature, teachers, policies, educational programs, so these are require for understand. The action are analyzed to study to meditate and investigate and the interacting settings are the schools, the families, universities, communities, etc. through which people satisfy the need for understanding.

And similarly the types of services required for satisfying the need for understanding or education, investigation and meditation services.

(Refer Slide Time: 21:26)

What are the different types of services?					
Classification of services based on Max-Neef's (1991) fundamental human needs					
Need	Being (qualities)	Having (things)	Doing (actions)	Interacting (settings)	Types of Services
participation	receptiveness, dedication, sense of humour	responsibilities, duties, work, rights	cooperate, dissent, express opinions	associations, parties, churches, neighbourhoods	Trade, Conference, Communication and Travel services
leisure	Imagination, tranquility, spontaneity	games, parties, peace of mind	day-dream, remember, relax, have fun	landscapes, intimate spaces, places to be alone	Entertainment services
creation	imagination, boldness, inventiveness, curiosity	abilities, skills, work, techniques	invent, build, design, work, compose, interpret	spaces for expression, workshops, audiences	Self-service
identity	sense of belonging, self-esteem, consistency	language, religions, work, customs, values, norms	get to know oneself, grow, commit oneself	places one belongs to, everyday settings	Club, Association, Prayer services
freedom	autonomy, passion, self-esteem, open-mindedness	equal rights	dissent, choose, run risks, develop awareness	anywhere	Justice and Enforcement services

Then there the need for participation, so for this the qualities are receptiveness, dedication, sense of humor. These are the qualities in the person is should be there for the satisfying the need for participation. The things required for responsibilities, duties, work, rights, etc. The actions required are to cooperate, to dissent, to express, opinions, etc. The interacting settings are associations, parties, churches, neighbourhoods, etc.

And the types of services are trade, conference, communication, and travel services. So these serves satisfy the need for participation. Then there is a need for leisure, so here the qualities required are imagination, tranquillity, spontaneity, etc. and the things to be had are games, parties, peace of mind. The actions had to day dream, to remember, to relax, to have fun, the interacting settings are landscape, intimate, spaces, places, to be alone.

And the types of services are entertainment services, so entertainment services can satisfy the need for leisure. Then the qualities for creation is imagination, boldness, inventiveness, and curiosity. And the things to be had are the ability, skills, works, and tech works, and techniques for creation. The actions are to invent, to built, to design, to work, to compose, and to interpret.

And the interacting settings are the spaces, for expression, workshop, audiences, and the types of services are self service, so self service satisfies the need for creation of people. Then the need for identity, there is the sense of belongingness, self-esteem, and consistency, the language, the religions, the work, the customs values, and norms. The actions are to get to know oneself, to grow, commit oneself.

The interacting settings are the places one belongs to and the everyday settings and the services like labs, associations, prayer services, they give a sense of identity to the people and satisfy the need for identity of a person or a customer. Then comes the need for freedom, so the need for freedom has the qualities of autonomy, passion, self-esteem, open mindedness, etc.

The things to be had are equal rights, the actions are to be able to dissent, to chose, to run risk, to develop awareness etc. The interacting settings may be anywhere because the need for freedom can come about anywhere and the types of services which have satisfy the need for freedom at justice and enforcement services. So we have seen different types of services which are required for satisfying these 9 fundamental human needs as written by Manfred Max Neef in 1991.

(Refer Slide Time: 24:45)

What are the different types of services?

- Professional services
- For profit services
- Not-for-profit services
- High-tech and high-touch services
- Customer service or after-sales service

So what are the different types of services that would professional services where the customer is to pay something to get that service and these are very standardized services. Then there are for-profit services, so services like restaurant service or hotel service or fast food service which wants to make profit from the service they are delivery the service business that they have set up.

And there are not-for profit services like the services of nongovernment organization like NGOs so they provide not for profit services. Then there are high tech and high touch services so like the automatic teller machine the ATMs they provided high tech services whereas high touch services are services which are provided by a people who are their customers.

And then there are customer service or after sales services. So customer service is provided to a customer, for example the customer service is provided to the customer as part of the whole process of buying a particular service or buying a particular product. But on the other hand after sales service had services which are provided to a customer after he has purchased a particular product or service.

So whereas customer services are services which are provided throughout the enure of the product throughout the life of the product with a customer, but after sales services had provided at the after the purchase of the product by a customer.

(Refer Slide Time: 26:46)

References

ISO 5127:2001. *International Standard: Information and Documentation -- Vocabulary*, International Organisation for Standardisation, Geneva.

ISO 9000: 2005. *International Standard: Quality Management Systems – Fundamentals and Vocabulary*, International Organisation for Standardisation, Geneva.

Lovelock, C. and Gummesson, E. (2004). Whither Services Marketing? In Search of a New Paradigm and Fresh Perspectives, *Journal of Service Research*, 7 (1), pp. 20-41.

Lovelock, C., Wirtz, J. and Chatterjee, J. (2010). *Services Marketing: People, Technology, Strategy* (Dorling Kindersley: India).

Maslow, A. H. (1943). A theory of human motivation. *Psychological Review*, 50 (4), 370–96.

Max Neef, M. A. (1991). *Human Scale Development: Conception, Application and Further Reflections*, (New York and London: The Apex Press).

Shostack, G. L. (1977). Breaking Free from Product Marketing, *Journal of Marketing*, 41(2), pp. 73-80.

So these are some of the references, which I have cited throughout this lecture. You can go through that and thank you for watching this session of services marketing. I hope it helps, Thank you.