

Service Marketing: A practical approach
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Lecture-02
Why Study Service Marketing Management

Welcome to the second session 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, once you go through the lesson if you have any feedback tell me then you can always write to me and I would be very happy to answer your queries.

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Lesson 2 Why study Services Marketing Management?

What is Marketing?

What is Marketing Management?

Why study Services Marketing Management?

So in this lesson we answer the question why should we study services marketing management of what use would that be. So we see what is marketing?. What is the marketing management? and why study services marketing management?.

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What is Marketing?

According to the American Marketing Association (2013), Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

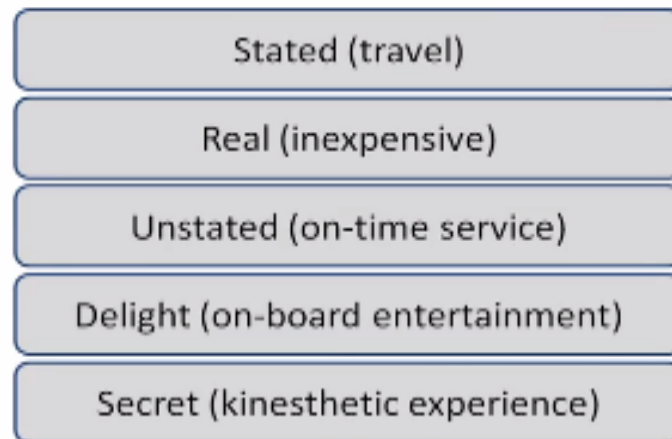
Now what is marketing?, so you see according to American Marketing Association they have written in 2013 that evolve in 2013, the definition of marketing which is marketing has an activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. Now marketing is a activity and the set of institution and processes.

Okay, for creating, communicating, delivering, and exchanging offerings. So they have to create the offerings, communicate the offerings through promotions etc., deliver the offerings at the door step of the consumer and exchange offerings for that have value for customers, so exchanging offerings means selling, the processes of selling were the service provider or the marketer provides a product or a service.

And in exchange he gets money and have value for customer, clients, partners, and society at large. So the main segment which gets this value are customer, clients, partners, and should be for the benefit of the society at large.

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Types of Customer Needs



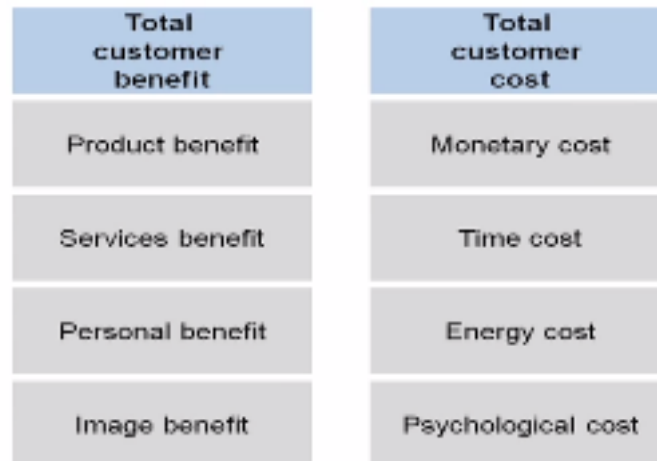
So what are the types of customer needs?. So there can be 5 types of customer needs when the customer goes on to purchase a particular product or service. So there would some stated needs, for example the customer wants to go for a tour, so the customer states that he has to travel to some place. Now the real need is that it should be inexpensive. He should be able to do the traveling, he should be able to do the tour with as less money as possible, spending as little as possible.

Then the unstated needs are that he is able to get on-time service, that means the services are provided to him on-time as promise by the service provider. Then they should have delight, that means on-board entertainment. That should be available. This is a delight need, if it is not available still the customers can be satisfied, but when it becomes available then customers become delighted.

And then there would be a secret need, that is the kinesthetic experience. So when hte customer wants to travel, the customer want the window seat because he or she wants to see things outside and have this kinesthetic experience. So these are the different types of customer needs when a customer goes on to purchase a product or a service.

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Customer Perceived Value



So what are the customer perceived value?. So we have said that the customer and this provider exchange value between one and other. SO what the customer perceived values? These perceived value is the difference between total customer benefit and total customer cost. So the customer benefit is the product benefit, the services benefit, the personal benefit and the image benefit.

So they get benefit out of the product, they get benefit out of the services that is the intangible products. They get personnel benefit that means they get benefit for their own personal and the image benefit that means they get the benefit of the image that means once they get associated with a particular brand, that satisfies their image, and the person feels elated when he or she purchases an exclusive brand.

Then there is total customer cost. So that consist of monetary cost, the time cost, the energy cost, and the psychological cost. So the monetary cost means the customer has to pay something for getting the benefit, he has to spend time, so that is another cost. He has to energy to purchase this product or the service and then he has a psychological cost. That means he has to go somewhere, he has to stand in a queue, he has to wait and he has to thereby purchase the service. So all this is part of the psychological cost.

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What is Marketing Management?

Professors Kotler, Keller, Koshy and Jha (2009) defined marketing management as "... the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value. "

Management means planning, monitoring and controlling all aspect of the activities of an organisation so that the activities are carried out as per plan order to attain organisational objectives.



Now coming to what is marketing management?. So we have seen what is marketing?. Now we want to know what is marketing management?. So, professor Kotler, Keller, Koshy and Jha in the book published in 2009. They have defined marketing management as the art and science of choosing target markets and getting, keeping, and growing customer through creating, delivering, and communicating superior customer value.

So we have seen that creating, delivering, and communicating superior customer value. This is part of marketing and art and science of choosing target markets. The target markets means what are the markets whom the customer would like to choose, whom the supplier like to choose. So those kinds of markets are the target markets. And they want to keep and grow customers.

That means first of all they want to acquire customer, then they have to keep those customer and finally they have to grow the numbers of customers so purchase their product or service. So, it is the art and science of choosing target markets and getting, keeping, and growing customers. So that is what is marketing management. Now management actually means planing, monitoring, and controlling all aspects of the activities of an organisation.

So that the activities are carried out as per plan in order to attain organisational objectives.

So a management means that you have to plan the activities, so that the customer is able to purchase so that the customer is able to enjoy the benefits and this plan has to be monitored regularly and has to be control, so that all aspects of the activities are carried as per plan and in order to attain the organisational objectives.

So, the organisational objectives are not only satisfaction of the customer but also the earning or profit by the organisation in order that the employees of the organisation and the share holders of the organisation. They get benefit out of the service that they are selling.

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Now the services these are sold to the 7 piece of the marketing mix. So these 7 piece are product, place, price, promotion, people, process, and physical environment. So the main 4 piece are product, place, price and promotion. So product implies the design, technology, usefulness, convenience, value, quality, packaging, branding, accessories and warranties.

The place refers to the delivery channel through which the customer is able to purchase the product or service from the supplier through retail, wholesale, mail order, internet, direct sales, peers to peers selling and multichannel selling. That means there are several modes of distributing the product to the customer. So this is the place. Then comes the price. So in price, the price strategies like skimming, penetration, physiological cost plus loss leader, etc.

So, physiological price, cost plus price, loss leader price, etc. So, these are the different types of pricing strategies. And finally promotions, promotions are what is how the product is offered to customers, how customers are given an incentive to buy the product or service. So there we have special offers, advertisements, endorsements, user trails, direct mailing, leaflets or posters, free gifts, competitions, and joint ventures. These are the 4 piece which are product, place, price and promotion.

Now particularly in case of services there are 3 more pieces, which are the physical environment, the process, and the people. So, the people are the employees, the management of the people, the culture, and the customer service. The process are the especially relevant to service industries like how the service is created and delivered and how are this services consume. And then we have the physical environment which has to be smart.

We should not be a run-down environment, it should have an interface or provide an interface between the customer and the service provider, it should be comfortable and the facilities should be there in the physical environment, so that the service can be deliver to the customer by the service provider. So what are the task for marketing management?.

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Marketing Management Tasks

- Develop market strategies and plans

So first is to develop market strategies and plans, that means what are the ways through which you can market or buy and sell the products or services to the customers and the plans made for doing so.

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Marketing Management Tasks

- Develop market strategies and plans
- Assess market opportunities and customer value

Assess market opportunities and customer value. So they have to assess the opportunities in the market place, and they have to assess. The service provider has to assess what kind of value the service provider can provide to the customer.

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Marketing Management Tasks

- Develop market strategies and plans
- Assess market opportunities and customer value
- Choose value

Then the service provider has to choose the value. That means what am I going to give the customer, what value does the customer get from me. That is the choosing the value.

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Marketing Management Tasks

- Develop market strategies and plans
- Assess market opportunities and customer value
- Choose value
- Design and create value

Then design and create value, so what value, how can that value be designed and how that value can be created, that means how can the services be created and how they can be provide it to customers.

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Marketing Management Tasks

- Develop market strategies and plans
- Assess market opportunities and customer value
- Choose value
- Design and create value
- Deliver value

Then deliver value. That means in what ways the service can be delivered to the customer, whether the customer has to come to the service provider premises or whether the service provider like a paramedic has to visit the place of the customer, visit the house of the customer **to** for any kind of test like blood test, etc. So how the value would be deliver to the customer.

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Marketing Management Tasks

- Develop market strategies and plans
- Assess market opportunities and customer value
- Choose value
- Design and create value
- Deliver value
- Communicate value

Then comes the communicating value, that means how the customer will come to know about the value that is being delivered by the service provider or by the producer to the customer. So that is how the value is to be communicated.

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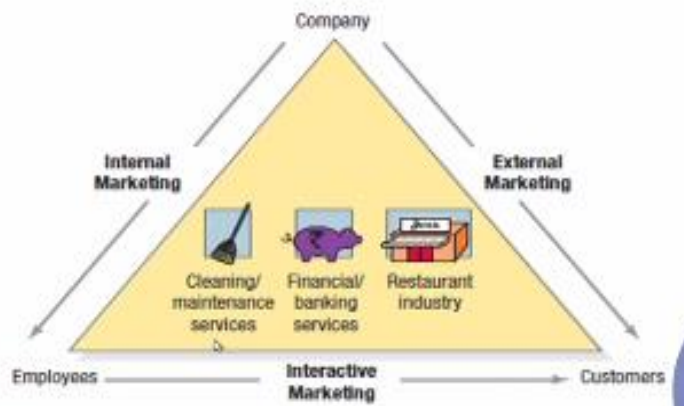
Marketing Management Tasks

- Develop market strategies and plans
- Assess market opportunities and customer value
- Choose value
- Design and create value
- Deliver value
- Communicate value
- Sustain growth and value

Then there is sustaining the growth and the value, so it is not only the creating, delivering, and communicating value for the first time, but the same process has to go on again and again for the survival of the organizations and that is why it has to sustain the growth and value, so it has to go for branding of the services, it has to go for new service development, it has to go for customer relationship management, so with all those and the service has to be sustained, the service provider has to sustain its own growth and the value that it delivers.

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Types of Marketing in Service Industries (Kotler, Keller, Koshy and Jha, 2013)



So, what are the different types of marketing in service industries?. So Kotler, Keller, Koshy, and Jha. They have written about these types of marketing in service industries. So, we have the triangle with the company at the top and the employees and customers making the 2 other vertices of the triangle. So the customers get the information from the company through external marketing, through advertisements, etc. and the employees, they get information from the company about internal marketing.

So the company actually markets the products and services to his employees, so that the employees become educated about this service that the company is wants to provide and then the employees and the customer they interact among each other. They are brought face to face with each other, so that the employees can provide the product to the customer through interactive marketing.

So examples are with cleaning and maintenance services, financial services, restaurant industry, so these are the different types of services which the company provides to customer to external marketing and to the employees through internal marketing and then employees provide the services to the customers through interactive marketing.

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Why study Services Marketing Management? (Bateson and Hoffman, 2011)

1. Consumers evaluate services differently than goods and service marketers must effectively manage the experiential aspects of the service product
2. Services can be effectively used as a differential advantage for tangible-dominant products
3. The growth of the global service economy in terms of contribution of the GDP has increased dramatically
4. The growth of the global service workforce has also increased accordingly
5. The emergence of technologically based e-services (or self-service technologies) have transformed many service industries
6. Knowledge is needed in the area of developing sustainable services marketing business practices.
7. Poor service delivery



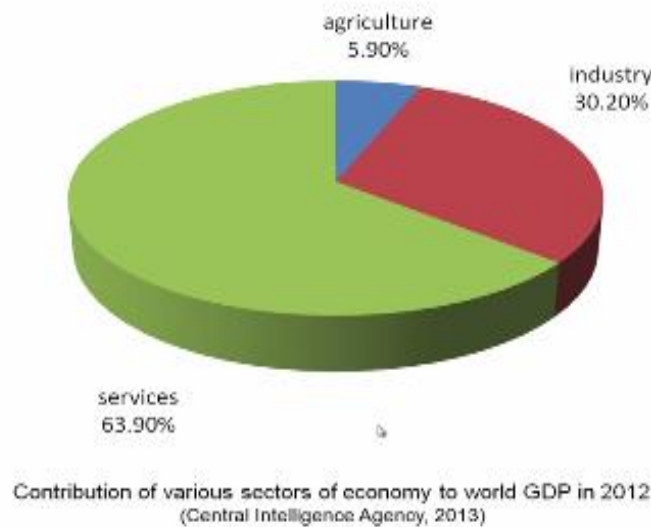
So why study services marketing management?. So according to Bateson and Hoffman in 2011 they talked about these why anybody should study services marketing management?. So the consumers evaluate services differently than goods and service marketers must effectively manage the experiential aspects of the service product. So goods are thus bought and they are used but customers what customers buy from services or the experience.

And so the consumers evaluate the services different because they have to evaluate the experience that they get from the marketer who have effectively manage the experience and aspects of the service product. Then services can be effectively used as a differential advantage for tangible dominant products. So, those products which had tangible, those products are similar across brand.

So different houses produce and deliver this product. So, how can they effectively differentiate themselves?. How can once producer differentiate himself from another producer. So, one good possibility, one good way is to provide services along with the tangible products. So those services comes like in the form of customer service that is throughout the time when the customer purchases the product like a car, if the customer wants to buy a car then he is provided free test rides.

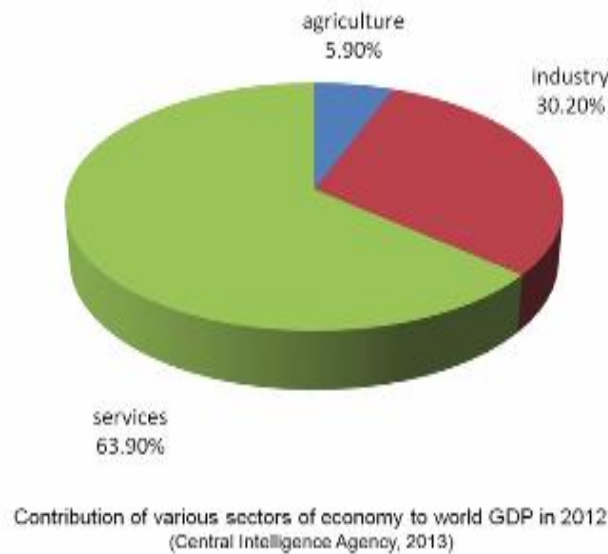
So that is kind of service which is provided during the purchase of the car and then after sales service is also provided, so that the customers are able to enjoy the tangible dominant product after the product has been sold to them. The growth of the global service economy in terms of contribution of the GDP has also increased dramatically.

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So, globally the services are workforce has also services contribute 63.9% of the world GDP as in 2012, so it has been continuously growing and you see that major junk of the GDP is provided by the services in the world economy.

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The growth of the global services workforces also increased, so that we see from this spy chart where we see that globally 41.4% of the labour force are in are engaged in providing services. Then the emergence of technologically based e-services or self-service technologies have transformed many service industries, so we have seen recently in India the emergence of the automatic teller machines they have been placed in every nook and corner and with that the job of the teller in the bank has reduced drastically.

So customers are able to withdraw their money directly from the ATMs and they do not have to visit the bank or wait in long queues for that. The knowledge is needed in the area of developing sustainable services marketing business practices. So if you, you know are working or if you plan to work in the near future then you have to provide sustainable services and for that you require knowledge of what are services and how it should be deliver.

And then the concern for poor service deliver, so I will talk about it in detail slightly later, but the main thing is that although we know lot about service and service quality etc., but we still face the problem of poor service delivery and that kind of deliver is not acceptable and so service providers have to teach this people who are going to engaged in service deliver about what is poor service delivery and how it should be better?.

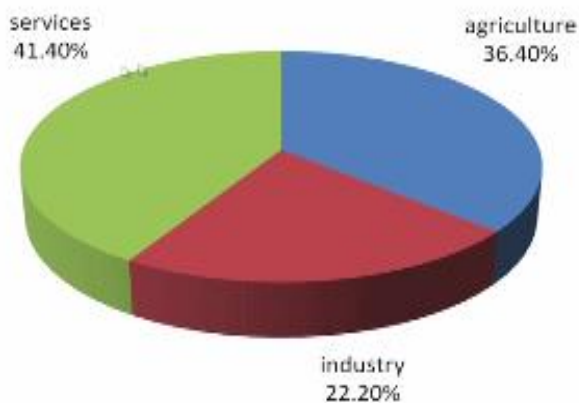
So, although world over the services are providing 63.9% of the GDP and agriculture is providing only 5.9% and industries providing 30.2% of the GDP. But in some countries we see that the GDP, share of services to the GDP is less than that of agriculture or manufacturing. Such counties are Algeria, Angola, Liberia, Thailand, Vietnam, Yemen, etc. and here we see that the agriculture or manufacturing share of the GDP is more than that in the services.

But most of the developed countries or the developing countries in that case we see that the share of the services to GDP is much more than that of agriculture or manufacturing.

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Share of services to GDP is less that
agriculture or manufacturing in:

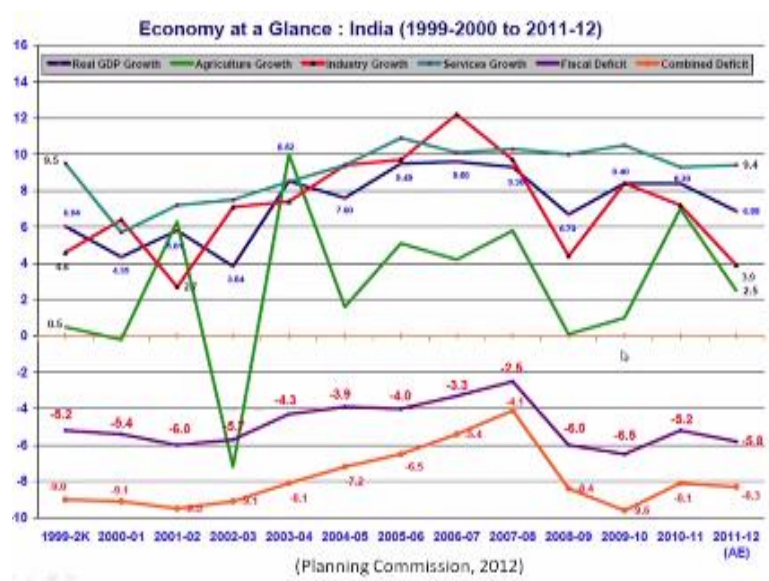
Algeria, Angola, Botswana, Congo, Equatorial
Guinea, Falkland Islands, Indonesia, Iran, Iraq, North
Korea, Kuwait, Laos, Lesotho, Liberia, Libya, Sierra
Leone, Somalia, Swaziland, Thailand, Trinidad and
Tobago, United Arab Emirates, Vietnam and Yemen.



Labour force in various sectors of economy to world GDP in 2007
(Central Intelligence Agency, 2013)

So as I have said earlier that 41% of the services are 41% of the labour force are engaged in providing services and this is increasing day by day, whereas 36.4% of the labour is involved in agriculture and 22.2% of the labour are involved in industry.

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Then we look at the economy at a Glance in India, so there we see that the real GDP growth which is shown by the blue and red line. So this GDP growth has decreased from 2010-11 to 2011-12, this has decreased and the industry growth that is the red and the blue triangle, so this line is that of the delivery by the industry, the growth of the industry and so that as also fall in from 2009-10 to 2011-12.

The agriculture growth which is shown by this green line, in that also has fallen from 2010-11 to 2011-12. But this contribution of services which is seen by this torques line, we see that

these services are actually has gone enhanced from 2010-11 to 2011-12. And services are contributing the most to the Indian economy, they provide 9.4% of they have seen 9.4% of the growth, whereas the other parts of the economy are shown decline and the rates of growth are much lower.

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Indicators	IX Plan (1997-2002)	X Plan (2002-07)	XI Plan (2007-12)
Agriculture, Forestry & Fishing	2.5	2.3	3.0
Mining & Quarrying	4.0	6.0	5.2
Manufacturing	3.3	9.3	8.3
Elect. Gas & Water Supply	4.8	6.8	6.4
Construction	7.1	11.8	8.2
Trade, Hotels & Restaurant	7.5	9.6	7.0
Transport, Storage & Communications	8.9	13.8	12.3
Trade, Hotel etc. + Transport, Communications, Storage	8.0	11.2	10.0 _b
Financing Insurance, Real Estate & Business Services	8.0	9.9	11.0
Community, Social & Personal Services	7.7	5.3	9.0
Total GDP	5.5	7.8	8.2
Industry	4.3	9.4	7.9
Services	7.9	9.3	10.1

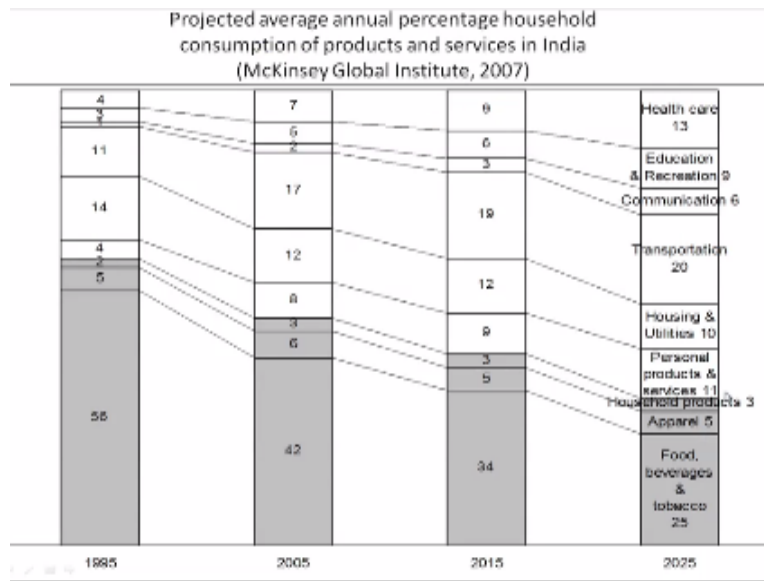
(Planning Commission, 2012)

Then we see look at the Sectoral growth rates in India. So we see that agriculture, forestry and fishing. That has growth in ninth plan, tenth plan, and eleventh plan from 2.5% to 3.0%. Mining and quarrying that is increase from 4-5.2%. Manufacturing from 3.3 to 8.3. Electricity, gas, and water supply, that has also increased from 4.8 to 6.4. Construction has increased from 7.1 to 8.2.

But the services in the form of trade, hotels and restaurant that is fallen from 9.6 to 7% but it is on the higher side as compared to manufacturing and others. Transport, storage and communications is 12.3 which is the maximum out of all the contributions of the given parts of the economy. The trade, hotel, etc. transport, communication, storage together that provided 10%.

Financing, insurance, real estate and business services are provided 11%. Community, social and personal 9%. So the total GDP is 8.2 and the rest of the other GDPs are much less than 8.2, but the services are much more. So the industry has provided the 7.9, whereas services are provided 10.1% of the GDP.

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So then we see the projected average annual percentage households, consumption of products and services in India. So, whereas in 1995, this white areas are those of services and the grey areas are the products. So these are food and beverage, food beverages and tobacco products. Apparel and household product, so these 3 we see that the annual percentage consumption of these 3 types of products has been declining from 1995 to 2025.

It is expected to decline to 2025 till 2015 also it has shown a decline, particularly a food beverages and tobacco share of the wallet has decreased for 56% to 34%. Whereas, the services that have increased from this that is the healthcare education, recreation, communication, transportation, housing and utilities and personal products and services. It has increased from 1995 to 2015 and is slated to increase even further in 2025.

So you see that there is lot of growth in the service sector and that gives us an opportunity to work in the service sector and to understand the sector well.

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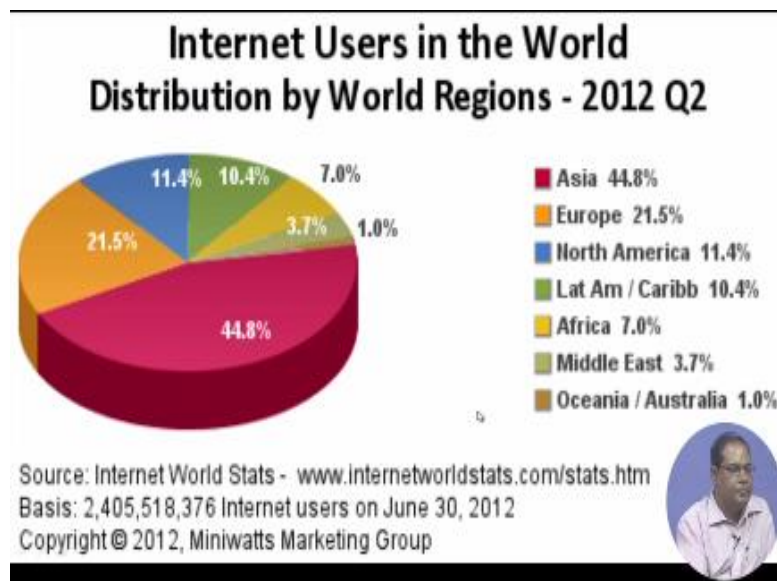
Rural Markets in South Asia

(Kotler, Keller, Koshy and Jha, 2013)

- Consumption in rural markets predicted to grow at a CAGR of 5% in the next two decades.
- Size and growth rate for many products and product categories are very attractive.
- 48 percent of the rural population is below 20 years of age.

So there are rural markets in south Asia, consumption in rural markets are predicted to grow at a CAGR of 5% in the next 2 decades. Then size and growth rate for many products and product categories are very attractive and 48% of the rural population is below 20 years of age. So there is lot of scop for the delivering services in the rural markets in India and in other parts of South Asia.

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Then we see the internet users in the world. The services are mainly facilitated by use of the internet and we see that Asia has () (27:54) ___ internet that is 44.8%. Whereas, North America is 11.4% and Oceania and Australia are 7% and Europe is 21.5%.

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Missing service in services economy

Around 58 per cent of India's GDP in 2010 is already accounted for by the services sector. With a growth rate higher than that of the manufacturing and the agriculture sector, the share of the services sector will only increase. In the services economy, retail accounts for the largest share. Information technology and telecommunication, financial services, health care, travel, hospitality and tourism, and food services are some of the other large contributors to the services sector. Almost 35 per cent of India's employment is in the services industry.

Likewise, while each of these countries has grown spectacularly for many years, and continues to grow very rapidly, the quality of the services offered seems to be on a steady decline. Initially, when these countries were rich, low development, they were able to deliver noticeably higher levels of service. A nation was actually small, wealthy, and was able to get a lot of things done immediately. Unfortunately, the same problems of the very highly developed countries exist in India too. These nations and were said to be the best results in the world. When companies went to collect the results, they found that the results, the hospital was actually



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said that the results will be given over day and one of state sector contractors was not in the hospital for a reference to study and signs of the results. Finally, only in making a list and one to make the hospital realize the quality of the situation. But the person was actually a good one and the results were great. It is needed for further action, did that relative give the results that was good. An action that is in with a positive of good thing to the customer (and delivered it very quickly in his Indian years) now has run-down places with broken seats, unidentifiable checks in usurers and poorly trained clerks, staff, and a whole lot of "bombers" of the customer by the customer-facing staff across all levels. An Indian Service, that means the quality of Bangalore which delivered excellent service to its partners for more than three decades, now finds its services unable to handle the standard capacity of a large and low wages of professionals of service are already visible to many but its visionary leaders, Sanku, are successful at some of India's other and

largest modern retail businesses are increasingly unable to provide any worthwhile customer contribution to their shoppers' network, showing claims of significantly reduced availability of staff, and an increasing number of employees are leaving the store since staff Indian service providers, even with the strong competition, seeing their margins, continue to believe that despite outstanding service and customer advertising drive will help in acquisition or retention of customers, even as the highest consumer segments to get bombarded by junk messages and poor calls, and increasing customer complaints.

There are many reasons behind the continuous decline in the quality of service across most customer-facing businesses. First, since these businesses continue to grow rapidly, their infrastructure and the leadership continue to believe that "all is well" and an existing customer complaint may not be attributed to the organizational failure of that complaint itself. Second, in the

quest to beat competition in terms of scaling up, most of these businesses have not invested or are not investing enough to hire and train the front staffers, and instead are diverting every available rupee to add more physical capacity to acquire more customers. Thirdly, the quality is already very dependent on vocational training in use with. Whatever vocational training capacity exists in the country is largely oriented either towards manual labour jobs or towards IT career opportunities. Hence, there are large numbers of young adults ready to get into the sector of which are being created in the services sector, and yet they have no training whatsoever other than a (mostly) school-leaving mark sheet or a college degree that is something not worth to speak about. It has also a couple of weeks of "training" on the job, where whatever formal vocational training.

It would, therefore, be wise for most of the services businesses to contemplate taking a pause and see that the quality focus on customer service. One may be forced to start with the service today but the long-term prospects will be better if the service is improved.

(Singhal, 2010)

So the point based that although the lot of service education and lot of studies and services had been taken but still in 2010 we find that people are writing about the missing services in the service economy. So he has cited many examples where a person got his x-ray done at a place and then he goes back to get the x-ray report, the same evening, but he has told that report is not available now because the concern doctor has not signed there and therefore he has to come later.

So these are very critical services, but still we find that in India lot of services are actually missing in our economy and the Indian economy the services are maximum in the Indian economy, but this is a situation of missing services in this economy.

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So I have referred to several literatures in the lesson, so you can view to this literature. I hope this helps you in learning about services in little more. Thank you.